

## **SECTIONS**

## **CONTENTS**

- |           |                                   |
|-----------|-----------------------------------|
| <b>1.</b> | <b>DEFINITIONS</b>                |
| <b>2.</b> | <b>ABBREVIATIONS</b>              |
| <b>3.</b> | <b>OBJECTIVE</b>                  |
| <b>4.</b> | <b>APPLICATION OF THIS POLICY</b> |
| <b>5.</b> | <b>VIREMENT CLARIFICATION</b>     |
| <b>6.</b> | <b>FINANCIAL RESPONSIBILITY</b>   |
| <b>7.</b> | <b>VIREMENT RESTRICTIONS</b>      |
| <b>8.</b> | <b>VIREMENT PROCEDURE</b>         |
| <b>9.</b> | <b>SUPPLEMENTARY</b>              |
- APPENDIX "A" CLASSIFICATION**
- APPENDIX "B" ITEM CLASSIFICATION**
- APPENDIX "C" REQUEST FOR VIREMENT**

### **1. DEFINITIONS**

1.1 Accounting Officer

- means the Municipal Manager of a KwaDukuza Municipality

is the Accounting Officer of the municipality in terms of section 60 of the MFMA, no 56 of 2003.

1.2 Municipality

1.3 Approved Budget  
1.4 Budget Related Policy

— means an annual budget approved by a Municipal Council.

— means a policy of a municipality affecting or affected by the

annual budget of the municipality.

— means the Chief Financial Officer of KwaDukuza Municipality

a person designated in terms of the MFMA who performs

such budgeting, and other duties as may in terms section 79

of the MFMA be delegated by the Accounting Officer to the

Chief Financial Officer.

— This is the estimated amount for capital items in a given

financial period. Capital items are fixed assets such as

Property, Plant and Equipment, the cost of which is normally

written off over a number of financial periods.

— means the Council of KwaDukuza a Municipality referred to

in section 18 of the Municipal Structures Act, no. 117 of

1998.

— means a 12 month period ending 30 June.

— an appropriation that is itemized on a separate line in a

budget adopted with the idea of greater control over

expenditures. (see annexure B for current item structure)

— The Municipality's Financial Plan, which outlines proposed

expenditures for the coming financial year and estimates the

revenues used to finance them.

— means an exclusive combination of line items grouped for

specific purposes; for instance, employment costs.

1.11 King-Fenced

1.12 Service Delivery and Budget Implementation Plan — means a detailed plan approved by the

Mayor of a municipality in terms of section 53(1) (c) (ii) for

implementing the municipality's delivery of municipal

services and its annual budget.

— is the process of transferring an approved budget allocation

from one operating line item or capital project to another,

enable budgets to be amended in the light of experience or

to reflect anticipated changes. This applies if any of the seven

mSCOA segments are effected.

— means one of the main segments into which a budget of a

municipality is divided for the appropriation of funds for the different Departments or functional areas of the municipality; and which specifies the total amount that is appropriated for the purposes of the Department or functional area concerned. (see annexure A)

1.15 Executive Director

--- employed in terms of Section 57 of the MSA. He/ She is directly accountable to the Municipal Manager

## **2. Abbreviations**

- 2.1 Chief Financial Officer – Chief Financial Officer
- 2.2 IDP – Integrated Development Plan
- 2.3 MFMA – Municipal Finance Management Act No.56 of 2003
- 2.4 SDBIP – Service Delivery Budget Implementation Plan
- 2.5 CM – Council Minutes
- 2.6 mSCOA – Municipal Standard Chart of Accounts

## **3. OBJECTIVE**

- 3.1 To allow limited flexibility in the use of budgeted funds to enable management to act on occasions such as disasters, unforeseen expenditure or savings, etc. as they arise to accelerate service delivery in a financially responsible manner.

## **4. Application of This Policy**

- 4.1 This Policy applies only to transfers between any of the segments within a data-string of the Municipality's operating and capital budget.
- 4.2 Section 28(2) (d) read together with section 69 of the MFMA provides that "*An adjustments budget...may authorise the utilisation of projected savings in one vote towards spending in another vote.*" Transfers between votes may therefore be authorised only by the Council of the Municipality.

7.1 No funds may be viremented between Business Units. The principles highlighted in MFMA Circular No. 51 must be incorporated into the municipal virement policy, which reads as follows:- "With the implementation of mSCOA, virements can only take place within a function or sub-function and the same source of funding. The creation of new projects or savings across functions can only take place through an adjustment budget. The

## 7 VIREMENT RESTRICTIONS

section 78 and 102 of the MFMA.

6.3 It is the responsibility of the Executive Director of each Business Unit, to which funds are allotted, to plan and conduct assigned operations so as not to expend more funds than budgeted. In addition, they have the responsibility to identify and report any unauthorised, irregular or fruitless and wasteful expenditure, in terms of

27(4) of the MFMA refers).

6.2 The Chief Financial Officer has a statutory duty to ensure that adequate policies and procedures are in place to ensure an effective system of financial control. The budget virement process is one of these controls. (Section

(Section 100 of the MFMA refers).

6.1 Strict budgetary control must be maintained throughout the financial year so that potential overspends and/or income under-recovery, within individual vote Business Units, are identified at the earliest possible opportunity.

## 6 FINANCIAL RESPONSIBILITY

Virement is the process of transferring budgeted funds from one line item to another, with the approval of the relevant Executive Director, Chief Financial Officer and Municipal Manager, to enable budget managers to amend budgets in the light of experience or to reflect anticipated changes.

## 5 VIREMENT CLARIFICATION

4.4 Any deviation from or adjustment to an annual budget or transfer within a budget which is not specifically permitted under this Policy or any other policy may not be performed unless approved by the Council through an adjustments budget.

4.3 This Policy shall not apply to transfers between or from capital projects or items and no such transfers may be performed under this Policy.

*acceptability of virements has continued to be clarified in subsequent Circular's issued via both National and Provincial Treasury.*

- 7.2 Virements should not be allowed from the repairs and maintenance project in the project segment.
- 7.3 Any virements to fund fruitless wasteful, unauthorised or irregular expenditure may only be approved by the Municipal Manager or Council subject to the limitations above.
- 7.4 Should the user department have any concerns that the virement has or may been/be used to fund fruitless wasteful, unauthorised or irregular expenditure this must be specifically stated on the virement form and the comments from SCM sought prior to submission of the form to the relevant approval authority.
- 7.5 Operating Virements may be approved by the Chief Financial Officer , provided it is below the lower of 25% of the line item or R 100 000. Virements may be approved by the Accounting Officer provided that it is below the lower of 25% of the line item or R 200 000. Any virement request in excess of the lower of 25% of the line item or R 200 000 may only be approved by the Municipal Council. The 25% threshold does not apply to a line item wherein the 25% equates to less than R 50 000.
- 7.6 Should a virement be approved by a level higher than that required, i.e Accounting Officer and Council instead of CFO and Council instead of Accounting Officer this approval shall suffice. By the approval of the virement the approver confirms that they are fully aware of the policy and the necessary prescripts in order to make an informed decision.
- 7.7 Any changes to funding, function or project segment will constitute an adjustment budget.
- 7.8 Capital Virements will be subject to the same processes as outlined above.
- 7.9 In the case of an emergency requiring a virement in excess of R 200 000 or the 25% threshold set above, the Executive Committee may grant authority.
- 7.10 The above thresholds and limitations will apply to any other segment of mSCOA
- 7.11 If unforeseen or unavoidable expenditure is incurred for which that has been no budgetary provision, Sections 71, 72, 73 of the Municipal Budget and Reporting Regulations, April 2009 shall apply.
- 7.12 A virement may not create new policy, significantly vary current policy, or alter the approved outcomes / outputs as approved in the IDP for the current or subsequent years. (Section 19 and 21 of the MFMA refers).
- 7.13 Virements resulting in adjustments to the approved SDBIP need to be submitted with an adjustments budget to Council, with altered outputs and measurements, for approval. (NT Circular 13 page 3 paragraph 3 refers).
- 7.14 No virement may commit the municipality to increase recurrent expenditure, which commits the Council's resources in the following financial year, without the prior approval of Council.

## 8 VIREMENT PROCEDURE

7

- 7.15 This refers to expenditures such as entering into lease or rental agreements such as vehicles, photo copiers or fax machines.
- 7.16 No virement may be made where it would result in over-expenditure from the transferred vote. (Section 32 of the MFMA refers).
- 7.17 If the virement relates to an increase in the workforce establishment, then the Council's existing recruitment policies and procedures will apply.
- 7.18 Virements may not be made in respect of ring-fenced allocations.
- 7.19 Budget may not be transferred from Departmental Charges, Charge out allocations or Grant expenditure and Income votes. This will be done via a Section 28 Adjusting Budget Process.
- 7.20 Budget may only be transferred from Salaries if approved by the Chief Financial Officer. Cannot transfer to salaries, catering
- 7.21 Virements in Capital Budget allocations are only permitted within specified action plans and must in addition have comparable asset lifespan classifications. Virements should not result in adding "NBW" projects to the Capital Budget provided that it is first submitted and approved by council and such item is reflected in the municipal IDP.
- 7.22 Virements from the Capital Budget to the Operating Budget and vice versa, is not permissible.
- 7.23 No virement proposal shall affect amounts to be paid to another Business Unit without the agreement of the Head of Department of that Business Unit, as recorded on the signed virement form. (Section 15 of the MFMA refers).
- 7.24 Virements amounts may not be rolled over to subsequent years, or create expectations on following budgets. (Section 30 of the MFMA refers).
- 7.25 An approved virement does not give expenditure authority and all expenditure resulting from approved virements must still be subject to the supply chain management policy of Council as periodically reviewed.
- 7.26 Virements may not be made between Expenditure and Income.
- 7.27 The correction of, or creation of data-strings to correct mSCOA segment allocations is excluded from the virement policy. This may be operationally undertaken with the approval of the relevant Director and Chief Financial Officer provided adequate source documentation is maintained by the Budget Office.

- 8.1 All virement proposals must be completed on the appropriate documentation (APPENDIX C) and forwarded to the relevant Finance Department official for checking and implementation.
- 8.2 All virements must be signed by the vote-holder (per Business Unit) and the Manager within which the vote is allocated. (Section 79 of the MFMA refers).
- 8.3 A virement form must be completed for all Budget Transfers.
- 8.4 Virements as determined under section 6b, requires the approval of the Council. (Section 79 of the MFMA refers).
- 8.5 Must include changes to the SDBIP.
- 8.6 All documentation must be in order and approved before any expenditure can be committed or incurred. (Section 79 of the MFMA refers).
- 8.7 Given the implementation of mSCOA , various best practices are continuously rolled out by Treasury. These will be issued to management for implementation via MANCO.

## 9 REPORTING

- 9.1 The Chief Financial Officer must prepare and submit a report on all transfers to the Municipal Manager half yearly.
- 9.2 The Municipal Manager shall submit a report on all transfers made under this Policy to the Mayor half yearly.

### *Sources*

- Municipal Finance Management Act No. 56 of 2003
- MFMA Circular No.13 – Service Delivery Budget Implementation Plan
- MFMA Circular No.51 – 2010/11 MTREF
- MFMA Circular No. 89 – 2018/19 MTREF
- MFMA Circular No. 94 – 2018/19 MTREF
- Knysna Municipality – Virement Policy





**APPENDIX A & B**  
**VOTE CLASSIFICATION**

<b>BUSINESS UNIT AND DEPARTMENTS</b>		
<b>VOTE- BUSINESS UNIT</b>	<b>DEPARTMENT</b>	<b>RESPONSIBLE INDIVIDUAL</b>
<b>CORPORATE SERVICES</b>	020 Council General	<b>EXECUTIVE DIRECTOR: CORPORATE SERVICES</b>
	021 Human Resources	
	025 Administration	
	210 Information Technology	
<b>YOUTH DEVELOPMENT</b>	027 Youth Development (incl. Sports)	<b>EXECUTIVE DIRECTOR: YOUTH DEVELOPMENT</b>
<b>CHIEF OPERATIONS OFFICER</b>	022 Policy Development	<b>CHIEF OPERATIONS OFFICER</b>
	023 Internal Audit	
	024 Corporate Communications	
	028 IDP	
	029 PMS	
	260 Public Participation	
<b>COMMUNITY SERVICES AND PUBLIC AMENITIES</b>	015 Beach Amenities	<b>EXECUTIVE DIRECTOR: COMMUNITY SERVICES AND PUBLIC AMENITIES</b>
	056 Cemetery	
	065 Admin General	
	070 Parks & Garden	
	075 Sports & Recreation	
	080 Dolphin Park	
	172 Street Sweeping	
	255 Refuse Removal	
	030 Library	
	165 Community Halls	

COMMUNITY SAFETY	035 Safety Administration 040 Security Services 041 Law Enforcement 042 Fire & Emergency 044 Disaster Management 045 Marine Safety 046 Vehicle Testing 047 Vehicle Licensing	EXECUTIVE DIRECTOR: COMMUNITY SAFETY
FINANCE	010 Assessment Rates 215 Budget Office 220 Stores	CHIEF FINANCIAL OFFICER
ECONOMIC DEVELOPMENT & PLANNING	032 Economic Development 031 Museum 153 Development control 152 Environmental management 154 Town Planning 155 Building Control	EXECUTIVE DIRECTOR: ECONOMIC DEVELOPMENT & PLANNING
CIVIL ENGINEERING AND HUMAN SETTLEMENTS	156 Civil Admin 160 Civic Buildings 170 Roads & Storm water 180 Staff Housing 026 Human Settlements	EXECUTIVE DIRECTOR: CIVIL ENGINEERING AND HUMAN SETTLEMENTS

**ELECTRICAL  
ENGINEERING SERVICES**

171 Street Lights  
356 Vehicle Distribution  
360 Mechanical Workshop  
400 Electrical Admin  
420 Urban South  
430 Rural North  
440 Sappi  
450 Urban North  
490 Rural South – Etete  
582 Salary Distribution

**EXECUTIVE DIRECTOR:  
ELECTRICAL ENGINEERING  
SERVICES**

APPENDIX C - VIREMENT REQUEST FORM

REQUESTED BY: .....

REQUEST DIRECTED TO: The Chief Financial Officer / Municipal Manager

DATE: .....

FINANCIAL YEAR:

2	0			/	2	0		
---	---	--	--	---	---	---	--	--

PLEASE EFFECT VIREMENT AS FOLLOWS:

FROM VOTE NUMBER: .....

FROM VOTE DESCRIPTION: .....

VOTE CATEGORY: .....

TO VOTE NUMBER: .....

TO VOTE DESCRIPTION: .....

VOTE CATEGORY: .....

AMOUNT: R.....

AMOUNT IN WORDS: .....

REASON OF VIREMENT:

.....

.....

.....

.....

.....

.....

1. Are the above votes within your Business Unit?

☐

Please indicate Y (Yes) or N (No)

If no, obtain the approval of the relevant Executive Director

SIGNATURE: .....

NAME: .....

DATE: .....

2. Has the total virement on the above votes exceeded the limit as disclosed in paragraph 7.2. of the Virement Policy?  
Provide the workings, ☐

The formula is: Annual Approved Budget X 25/100 for both from and to vote

3. Will the above virement cater to the approved outcomes/ output of the IDP ☐
4. Will the above adjust service delivery targets, as set in the SDBIP, downwards? ☐
5. Is the virement required to increase recurrent expenditure, such as leases? ☐

6. Will the virement effect the following line items and categories of expenditure:

- Employment Costs Category ☐
- Departmental Charges ☐
- Charge out Allocations ☐
- Grant Expenditure ☐
- Income Category ☐

7. Is the above virement intended to pay for the cost of Unauthorised Expenditure? ☐

If Yes; please provide details: (Should the below space be unsatisfactory please attach a detail motivation)

8. Is the above virement intended to pay for the cost of Irregular expenditure? ☐

If Yes; please provide details: (Should the below space be unsatisfactory please attach a detail motivation)

9. Is the above virement intended to pay for the cost of Fruitless and Wasteful expenditure? ☐

If Yes; please provide details: (Should the below space be unsatisfactory please attach a detail motivation)

10. Please confirm that the Business Unit does not require any further top-ups (adjustment budget or virements) to the vote the funds are transferred from? ☐

**CERTIFICATION OF REQUEST**

I hereby declare that I fully understand the contents of the Virement Policy and request that the above virement be approved.

I further declare that after a review of the transferring votes listed in the attached application, I am not aware of any existing commitments or core service delivery requirements which will not be able to be funded or partly funded due to the transfer.

I declare all the above as at date of signature of the document.

Executive Director: .....

(Signature)

Executive Director: .....

(Print Name in Full)

Date: .....

**APPROVAL OF REQUEST**

Chief Financial Officer: .....

Date: .....

Municipal Manager: .....

Date: .....

Council Resolution Number : ..... (Please attach Council Resolution)

Date: .....

**FOR BUDGET OFFICE USE**

Date of submission of approved virement form	
Virement Processing Date	
Virement process number	



# BUDGET POLICY



KWADUKUZA LOCAL MUNICIPALITY  
"The Municipality"



## **TABLE OF CONTENTS**

### **1. Prelude**

### **2. Definitions**

### **3. Introduction**

### **4. Objectives of the Policy**

### **5. Budgeting Principles**

### **6. Responsibilities of the Accounting Officer**

### **7. Responsibilities of the Chief Financial Officer**

### **8. Budget Preparation Process**

#### **8.1 Formulation of the Budget**

#### **8.2 Public Participation Process**

#### **8.3 Approval of the Budget**

#### **8.4 Publication of the Budget**

#### **8.5 Consultation of tabled budgets**

#### **8.6 Service Delivery and Budget Implementation Plan (SDBIP)**

### **9. Capital Budget**

### **10. Operating Budget**

### **11. Funding of Capital and Operating Budget**

### **12. Unspent Funds/Roll-Overs**

### **13. Budget Transfers / Virements**

### **14. Adjustment Budget**

15. Budget Implementation

15.1 Monitoring

15.2 Reporting

16. Conclusion

17. Compliance and Enforcement

18. Effective Date

19. Policy Adoption

20. Annexure I (Legal Requirements)

## 1. PRELUDE

The definitions and policy hereunder is to bread in conjunction with the other key policies of the municipality.

## 2. DEFINITIONS

2.1 “Accounting Officer” means the Municipal Manager of KwaDukuza Municipality;

2.2 “allocation” means –

- i) a municipality's share of the local government's equitable share referred to in Section 214(l) (a) of the Constitution;
- ii) an allocation of money to a municipality in terms of Section 214(1) (c) of the Constitution;
- iii) an allocation of money to a municipality in terms of a provincial budget; or
- iv) any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction.

2.3 “Annual Division of Revenue Act” means the Act of Parliament, which must be enacted annually in terms of Section 214(1) of the Constitution;

2.4 “approved budget” means an annual budget -

- a) approved by a municipal COUNCIL, or
- b) includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA.

2.5 “basic municipal service” means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment.

- 2.6 "budget-related policy" means a policy of a municipality affecting or affected by the annual budget of the Municipality, including , but not limited to -
- the tariffs policy, which the Municipality must adopt in terms of Section 74 of the Municipal Systems Act;
  - the rates policy which the Municipality must adopt in terms of Section 3 of the Municipal Property Rates Act;
  - the credit control and debt collection policy, which the Municipality must adopt in terms of Section 96 of the Municipal Systems Act;
- 2.7 "budget transfer" means transfer of funding within a function / vote.
- 2.8 "budget year" means the financial year of the Municipality for which an annual budget is to be approved in terms of Section 16(1) of the MFMA;
- 2.9 "Chief Financial Officer" means the Chief Financial Officer of KwaDukuza Local Municipality.
- 2.10 "Council" means a member of a municipal council;
- 2.11 "creditor" means a person to whom money is owed by the Municipality;
- 2.12 "current year" means the financial year, which has already commenced, but not yet ended;
- 2.13 "delegation" in relation to a duty, includes an instruction to perform or to assist in performing the duty;
- 2.14 "financial recovery plan" means a plan prepared in terms of Section 141 of the MFMA;
- 2.15 "Financial Statements" means statements consisting of at least -
- a statement of financial position;
  - a statement of financial performance;
  - a cash-flow statement;
  - any other statements that may be prescribed; and
  - any notes to these statements;

- 2.16 **“financial year”** means a twelve months period commencing on 1 July and ending on 30 June each year;
- 2.17 **“financing agreement”** includes any loan agreement, lease, and instalment purchase contract or hire purchase arrangement under which a municipality undertakes to repay a long-term debt over a period of time;
- 2.18 **“fruitless and wasteful expenditure”** means expenditure that was made in vain and would have been avoided had reasonable care been exercised;
- 2.19 **“irregular expenditure”, means –**
- a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA Act, and which has not been condoned in terms of Section 170 of the MFMA;
  - b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
  - c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act 20 of 1998); or
  - d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the Municipality or entity or any of the Municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of “unauthorised expenditure”;
- 2.20 **“investment”** in relation to funds of a municipality, means -
- a) the placing on deposit of funds of a municipality with a financial institution; or
  - b) the acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds;
- 2.21 **“lender”** means a person who provides debt finance to a municipality;
- 2.22 **“local community”** has the meaning assigned to it in Section 1 of the Municipal

- 2.23 "Municipal Structures Act" means the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) and its subsequent promulgated amendments;
- 2.24 "Municipal Systems Act" means the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) and its subsequent promulgated amendments;
- 2.25 "long-term debt" means debt repayable over a period exceeding one year;
- 2.26 "Mayor" means the Councillor elected as the Mayor of the Municipality in terms of Section 55 of the Municipal Structures Act;
- 2.27 "Municipal Council" or "COUNCIL" means the COUNCIL of the Municipality referred to in Section 18 of the Municipal Structures Act;
- 2.28 "municipal debt instrument" means any note, bond, debenture or other evidence of indebtedness issued by a municipality, including dematerialised or electronic evidence of indebtedness intended to be used in trade;
- 2.29 "municipal entity" has the meaning assigned to it in Section 1 of the Municipal Systems Act (refer to the MSA for definition);
- 2.30 "municipality" –  
a) Refers to KwaDukuza Municipality;
- 2.31 "municipal service" has the meaning assigned to it in Section 1 of the Municipal Systems Act (refer to the MSA for definition);
- 2.32 "municipal tariff" means a tariff for services which a municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff;
- 2.33 "municipal tax" means property rates or other taxes, levies or duties that a municipality may impose;

**2.34** “National Treasury” means the National Treasury established by Section 5 of the Public Finance Management Act;

**2.35** “official” means -

- a) an employee of a municipality or municipal entity;
- b) a person seconded to a municipality or municipal entity to work as a member of the staff of the Municipality or municipal entity; or
- c) a person contracted by a municipality or municipal entity to work as a member of the staff of the Municipality or municipal entity otherwise than as an employee;

**2.36** “overspending” means -

- a) causing the operational or capital expenditure incurred by the Municipality during a financial year to exceed the total amount appropriated in that year's budget for its operational or capital expenditure, as the case may be;
- b) in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or
- c) in relation to expenditure under Section 26 of the MFMA, means causing expenditure under that section to exceed the limits allowed in subsection (5) of this section;

**2.37** “past financial year” means the financial year preceding the current year;

**2.38** “quarter” means any of the following periods in a financial year:

- a) 1 July to 30 September;
- b) 1 October to 31 December;
- c) 1 January to 31 March; or
- d) 1 April to 30 June.

**2.39** “Service Delivery and Budget Implementation Plan” means a detailed plan approved by the Mayor of a municipality in terms of Section 53(1)(c)(ii) of the MFMA for implementing the Municipality's delivery of municipal services and its annual budget, and which must indicate :

- a) projections for each month of:
  - i) revenue to be collected, by source and vote; and
  - ii) operational and capital expenditure, by vote;
- b) service delivery targets and performance indicators for each quarter; and

- c) any other matters that may be prescribed, and includes any revisions of such plan by the Mayor in terms of Section 54(1)(c) of the MFMA;

**2.40 "short-term debt"** means debt repayable over a period not exceeding one year;

**2.41 "Standards of Generally Recognised Accounting Practice"** means an accounting practice complying with standards applicable to municipalities or municipal entities as determined by the Accounting Standards Board;

**2.42 "unauthorised expenditure"** means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the MFMA, and includes –

- a) overspending of the total amount appropriated in the Municipality's approved budget;
- b) overspending of the total amount appropriated for a vote in the approved budget;
- c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- f) a grant by the Municipality otherwise than in accordance with the MFMA;

**2.43 "Virement"** means transfer of funds between functions / votes

**2.44 "vote"** means

a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different business units or functional areas of the Municipality; and

b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.



### 3. INTRODUCTION

- a) In terms of the Municipal Finance Management Act, Act 56 of 2003, Chapter 4 on Municipal Budgets, subsection (16), states that the COUNCIL of a municipality must for each financial year approve an Annual Budget for the Municipality before the commencement of that financial year. According to subsection (2) of the Act concerned (MFMA), in order to comply with subsection (1) of the MFMA, the Mayor of the Municipality must table the Annual Budget at a COUNCIL meeting at least 90 days before the start of the budget year. This Policy must be read, analysed, explained, interpreted, implemented and understood against this legislative background. The budget plays a critical role in an attempt to realise diverse community needs. Central to this, the formulation of a municipality budget must take into account the government's macro-economic and fiscal policy fundamentals. In brief, the conceptualisation and the operationalisation of the budget must be located within the national government's policy framework.
- b) A Municipality must, in terms Chapter 5, section 25(1) of the Local Government Municipal Systems Act, 2000 (Act No. 32 of 2000), undertake developmentally oriented planning. It must adopt a single, inclusive and strategic plan in the form of an Integrated Development Plan (IDP). This must form the policy framework and general basis on which annual budgets must be based.

### 4. OBJECTIVE

- a) The objective of the Budget Policy is to set out:
  - i) The principles which the Municipality will follow in preparing each medium term revenue and expenditure framework budget;
  - ii) The responsibilities of the Mayor, the Accounting Officer, the Chief Financial Officer and other senior managers in compiling the budget;
  - iii) To ensure that the budget reflects the strategic outcomes embodied in the IDP and related strategic policies.

## 5. BUDGETING PRINCIPLES

- 5.1 The Municipality shall not budget for a deficit and should also ensure that revenue projections in the budget are realistic taking into account actual collection levels.
- 5.2 Expenses may only be incurred in terms of the approved Annual Budget (or Adjustment Budget) and within the limits of the amounts appropriated for each vote in the approved Budget.
- 5.3 The Municipality shall prepare a three-year Budget (medium term revenue and expenditure Framework (MTRRF)) and that be reviewed annually and approved by COUNCIL.
- 5.4 The MTRRF Budget must at all times be within the framework of the Municipal Integrated Development Plan.
- 5.5 The Annual Budget will only be funded from realistic anticipated revenues to be collected; cash backed accumulated funds not committed for other purposes and borrowed funds, but only for the Capital Budget.

## 6 RESPONSIBILITIES OF THE ACCOUNTING OFFICER

- 6.1 The Accounting Officer shall be responsible for the following functions in terms of Section 68 of the MFMA:
  - 6.1.1 Assisting the Mayor in performing the budgetary functions assigned to the Mayor in terms of chapter 4 and 7 of the MFMA; and
  - 6.1.2 Providing the Mayor with the administrative support, resources and information necessary for the performance of those functions.

- 6.2 The Accounting Officer shall ensure that all heads of business units provide the inputs required by the Chief Financial Officer for the purpose of preparing the budget, and to that end, each Process Manager shall prepare and submit to the Chief Financial Officer by a date determined by the Chief Financial Officer annually a draft budget for his/her department; provided that nothing contained in this section shall derogate from the responsibility of the Chief Financial Officer of preparing the municipal budget as provided for in subsection 7.5 below.

- 6.3 The Accounting Officer shall comply with all requirements of the Sections 69, 70, 71, 72, 73, 74, 75 and 76 of the MFMA and ensuring that the operations of the COUNCIL are achieved within the approved budget and financial targets; and allocation of funds within the departments.

- 6.4 Further, the accounting officer shall be responsible for ensuring compliance with the Municipal Standard Chart of Accounts Regulations and the explanatory circulars thereto as issued by National and Provincial Treasury.

## 7 RESPONSIBILITIES OF THE CHIEF FINANCIAL OFFICER

7.1 Without derogating in any way from the legal responsibilities of the Accounting Officer as Accounting Officer, the Chief Financial Officer shall be responsible for preparing the draft annual capital and operating budgets (including the budget components required for the ensuing financial years), any required adjustments budgets, the projections of revenues and expenses for the service delivery and budget implementation plan (including the alignment of such projections with the cash management programme prepared in terms of the banking, cash management and investments policy) and reconciliations between the various reporting formats utilised for both the budget and actual information, and shall be accountable to the Accounting Officer in regard to the performance of these functions.

7.2 The Accounting Officer shall ensure that all heads of business units provide the inputs required by the Chief Financial Officer into these budget processes.

7.3 The Chief Financial Officer shall draft the budget timetable for the ensuing financial year for the Mayor's approval, and shall indicate in such timetable the target dates for the draft revision of the annual budget and the preparation of the annual budget for the ensuing financial year, which target dates shall follow the prescriptions of the Municipal Finance Management Act, and target dates for the submission of all the budget-related documentation.

7.4 Except where the Chief Financial Officer, with the consent of the Accounting Officer, decides otherwise, the sequence in which each annual budget and adjustments budget shall be prepared, shall be: first, the operating component and second, the capital component. The operating component shall duly reflect the impact of the capital component on:

- depreciation charges.
- repairs and maintenance expenses
- interest payable on external borrowings
- other operating expenses.

7.5 In preparing the operating budget, the Chief Financial Officer shall determine the number and type of votes to be used and the line-items to be shown under each vote, provided that in so doing the Chief Financial Officer shall properly and adequately reflect the organisational structure of the Municipality, and further in so doing shall comply – in so far as the organisational structure permits – also with the prescribed budget format of National Treasury ie. The Municipal Standard Chart of Accounts. In addition to the votes required by the organisational structure the Chief Financial officer shall also determine the requisite segments and chart selections required for adequate implementation and budgeting in the format required by the Municipal Standard Chart of Accounts.

7.6 The Chief Financial Officer shall determine the depreciation expenses to be charged to each vote, the apportionment of interest payable to the appropriate votes, the estimates of withdrawals from (claims) and contributions to insurance and the contributions to the provisions for bad debts, accrued leave entitlements, obsolescence of stocks and any other contribution as required by GRAP.

7.7 The Chief Financial Officer shall further, with the approval of the Mayor and the Accounting Officer, determine the recommended contribution to finance assets or any other special contribution.

7.8 The Chief Financial Officer shall also, again with the approval of the Mayor and the Accounting Officer, and having regard to the Municipality's current financial performance, determine the recommended aggregate growth factor(s) according to which the budgets for the various votes shall be drafted.

7.9 The Chief Financial Officer shall compile monthly budget reports, with recommendations, comparing actual results with budgeted projections, and the heads of departments shall timeously and adequately furnish the Chief Financial Officer with all explanations required for deviations from the budget. The Chief Financial Officer shall submit these monthly reports to all other prescribed parties, in accordance with the prescriptions of the Municipal Finance Management Act.

7.10 The Chief Financial Officer shall provide technical and administrative support to the Mayor in the preparation and approval of the annual and adjustment budgets, as well as in the consultative processes, which must precede the approval of such budgets.

7.11 The Chief Financial Officer shall ensure that the annual and adjustments budgets comply with the requirements of the National Treasury, reflect the budget priorities determined by the Mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the Mayor on the revision of the IDP and the budget-related policies where these are indicated.

7.12 The Chief Financial Officer shall make recommendations on the financing of the draft capital budget for the ensuing and future financial years, indicating the impact of viable alternative financing scenarios on future expenses, and specifically commenting on the relative financial merits of internal and external financing options.

7.13 The Chief Financial Officer shall ensure that the cost of indigency relief is separately reflected in the appropriate votes.

7.14 The Chief Financial Officer shall ensure that the allocations from other organs of state are properly reflected in the annual and adjustments budget, and that the estimated expenses against such allocations (other than the equitable share) are appropriately recorded.

## **8 BUDGET PREPARATION PROCESS**

### **8.1 Formulation of the budget**

- a) The Accounting Officer with the assistance of the Chief Financial Officer and the Manager responsible for IDP shall draft the IDP process plan as well as the budget timetable for the Municipality including municipal entities for the ensuing financial year.
- b) The manager responsible for IDP shall compile the necessary reports in order for The Mayor to table the IDP process plan as well as the IDP/OPMS/Budget timetable to COUNCIL by 31 August each year for approval (10 months before the start of the next budget year).
- c) IDP process plan as well as the budget timetable shall indicate the key deadlines for the review of the IDP as well as the preparation of the medium term revenue and expenditure framework budget and the revision of the Annual Budget. Such target dates shall follow the prescriptions of the Municipal Finance Management Act as well as the guidelines set by National Treasury.
- d) The Mayor shall convene a strategic workshop annually with the political leadership as deemed necessary and senior managers in order to determine the IDP priorities which will

form the basis for the preparation of the MTRRF Budget taking into account the financial and political pressures facing the Municipality. The Mayor shall table the IDP priorities with the draft Budget to COUNCIL.

- e) The Mayor shall table the draft IDP and MTRRF Budget to COUNCIL by 31 March (90 days before the start of the new budget year) together with the draft resolutions and budget related policies (policies on tariff setting, credit control, debt collection, indigents, investment and cash management, borrowings, etcetera).

- f) The Chief Financial Officer and senior managers undertake the technical preparation of the Budget.
- g) The Budget must be in the prescribed format, and must be divided into Capital and Operating Budget.

- b) The Budget must reflect the realistically anticipated (expected) revenues by major source for the budget year concerned.

- i) The expenditure for the budget year will be appropriated under the different vote of the Municipality amongst the other segments as required by mSCOA.

- j) The Budget must also contain the information related to the two financial years following the financial year to which the Budget relates, as well as the actual revenues and expenses for the prior year, and the estimated revenues and expenses for the current year.

## 8.2 Public participation process

- a) Immediately after the draft Annual Budget has been tabled, the Municipality via the IDP/Public Participation Unit must convene hearings on the draft Budget in April and invite the public, stakeholder organisations, to make representation at the COUNCIL hearings and to submit comments in response to the draft Budget.

## 8.3 Approval of the budget

- a) COUNCIL shall consider the next medium term expenditure framework budget for approval not later than 31 May (30 days before the start of the budget year).
- b) Should the Municipality fail to approve the budget before the start of the budget year, the Mayor must inform the MEC for Finance that the Budget has not been approved.
- c) The Budget tabled to COUNCIL for approval shall include the following supporting documents:
  - i. draft resolutions approving the Budget and imposing any municipal taxes and setting of municipal tariffs for the financial year concerned;
  - ii. draft resolutions approving any other matter that may be prescribed for the financial year concerned;
  - iii. measurable performance objectives for each budget vote, taking into account the Municipality's IDP;
  - iv. the projected cash flows for the financial year by revenue sources and expenditure votes;
  - v. any proposed amendments to the IDP; (this shall form a separate item)
  - vi. any proposed amendments to the budget-related policies;
  - vii. the cost to the Municipality of the salaries, allowances and other benefits of its political office-bearers and other Councillors, the Accounting Officer, the Chief Financial Officer, and other senior managers;
  - viii. particulars of any proposed allocations or grants to other municipalities, municipal entities, external mechanisms assisting the Municipality in service delivery, other organs of state, and organisations such as Non-Governmental Organisations, welfare institutions and so on;
  - ix. particulars of the Municipality's investments; and
  - x. various information in regard to municipal entities under the shared or sole control of the Municipality
  - xi. particulars of any proposed service delivery agreements, including amendments to existing service delivery agreements. (this shall form a separate item)
- d) Furthermore, a report detailing all comments received from the public, National Treasury, Provincial Treasury, and all organs of state and municipalities affected by the budget, as well as the action taken by the Municipality in addressing these comments, shall be tabled to Council with the budget for approval.

#### 8.4 Publication of the budget

- a) Within 10 working days after the draft Annual Budget has been tabled, the Director: Communications must make public the budget and invite the local community to submit presentations in connection with the budget. Shorter timeframes may apply should this be required by legislation.

- b) The Chief Financial Officer must within 10 working days submit the tabled budget in both printed and electronic formats to the National Treasury, the Provincial Treasury.
- c) The Executive Director: Corporate Services must within 5 days after the budget has been tabled upload this on the municipal website.

#### 8.5 Consultation of tabled budgets

- a) Within fourteen (14) days after the public participation process has expired the Mayor must consider all budget submissions and if necessary, revise the budget and table amendments for consideration by COUNCIL.

#### 8.6 Service Delivery and Budget Implementation Plan (SDBIP)

- a) The Mayor must approve the Service Delivery and Budget Implementation Plan not later than 28 days after the approval of the Budget by COUNCIL.
- b) The SDBIP shall include the following components:

- i. Monthly projections of revenue to be collected from each source;
- ii. Monthly projections of expenditure (operating and capital) and revenue for each vote;
- iii. Quarterly projections of service delivery targets and performance indicators for each vote;
- iv. Ward information for capital expenditure and service delivery;

### 9. CAPITAL BUDGET

- a) Expenditure of a project shall be included in the Capital Budget if it meets the asset definition in terms of Council's approved Asset Management Policy.



- b) Vehicle replacement shall be done in terms of COUNCIL's Vehicle Replacement Policy. The budget for vehicles shall distinguish between replacement and new vehicles. No globular amounts shall be budgeted for vehicle acquisition.
- c) A municipality may spend money on a capital project only if the money for the project has been appropriated in the Capital Budget.
- d) The envisaged sources of funding for the Capital Budget must be properly considered and the COUNCIL must be satisfied that this funding is available and has not been committed for other purposes.
- e) Before approving a capital project, the COUNCIL must consider:
  - i. the projected cost of the project over all the ensuing financial years until the project becomes operational;
  - ii. future operational costs and any revenues, which may arise in respect of such project, including the likely future impact on Operating Budget (that is: on property rates and service tariffs).
- f) Before approving the Capital Budget, the COUNCIL shall consider :
  - i. the impact on the present and future operating budgets of the Municipality in relation to finance charges to be incurred on external loans;
  - ii. depreciation of fixed assets;
  - iii. maintenance of fixed assets; and
  - iv. any other ordinary operational expenses associated with any item on such Capital Budget.
- g) COUNCIL shall approve the Annual or Adjustment Capital Budget only if it has been properly balanced and fully funded.
- h) the capital expenditure shall be funded from the following sources:

9.h.1) *Revenue or Surplus* If any project is to be financed from own funds this financing must be included in the cash budget to raise sufficient cash for the expenditure.

b. If the project is to be financed from surplus there must be sufficient cash available at time of execution of the project.

#### 9.h.2) *External loans*

a. External loans can be raised only if it is linked to the financing of an asset;

b. A capital project to be financed from an external loan can only be included in the Budget if the loan has been secured or it can be reasonably assumed as being secured;

c. The loan redemption period should not exceed the estimated life expectancy of the asset. If this happens the interest payable on the excess redemption period shall be declared as fruitless expenditure;

d. Interest payable on external loans shall be included as a cost in the revenue budget;

e. Finance charges relating to such loans shall be charged to or apportioned only between the departments or votes to which the projects relate.

#### 9.h.3) *Grant Funding*

a. Capital Grant Funding must be budgeted for in accordance with GRAP.

b. Capital expenditure funded from grants must be budgeted for in the Capital Budget.

c. Interest earned on investments of Conditional Grant Funding shall be capitalised if the conditions state that interest should accumulate in the fund. If there is no condition stated the interest shall be allocated directly to the revenue accounts.

d. Grant funding must be cash backed.

### 10. OPERATING BUDGET

a) The Municipality shall budget in each annual and adjustments budget for the contribution to:

i) provision for accrued leave entitlements.

ii) entitlement of officials as at 30 June of each financial year;

iii) provision for bad debts in accordance with its Rates and Tariffs Policies;

iv) provision for the obsolescence and deterioration of stock in accordance with its Supply Chain Management Policy;

v) depreciation and finance charges shall be charged to or apportioned only between the departments or votes to which the projects relate;

vi) at least 7% of the Operating Budget component of each annual and Adjustment Budget shall be set aside for maintenance, to be included in the Operative Budget;

- vii) at least 1% of the Employee Costs in the Operating budget component of each Annual and adjustments budget shall be set aside for skills development;
  - ix) provision of rehabilitation of land fill sites.
- 
- b) When considering the tabled Annual Budget, COUNCIL shall consider the impact, which the proposed increases in rates and service tariffs will have on the monthly municipal accounts of households.
  - c) The impact of such increases shall be assessed on the basis of a fair sample of randomly selected accounts.
  - d) The Operating Budget shall reflect the impact of the capital component on:
    - i) depreciation charges;
    - ii) repairs and maintenance expenses;
    - ii) interest payable on external borrowings and other operating expenses.
  - e) The Chief Financial Officer shall ensure that the cost of indigency relief is separately reflected in the appropriate votes.

## **11. FUNDING OF CAPITAL AND OPERATING BUDGET**

- a) The budget may be financed only from:
  - i) realistically anticipated (expected) revenues, based on current and previous collection levels;
  - ii) cash-hacked funds available from previous surpluses where such funds are not required for other purposes; and
  - iii) borrowed funds in respect of the capital budget only.

## 12. UNSPENT FUNDS / ROLL OVER OF BUDGET

### 12.1

12.2 This paragraph outlines procedures dealing with unspent funds and roll-overs:

- i. The appropriation of funds in an Annual or Adjustment Budget will lapse to the extent that they are unspent by the end of the relevant budget year, but except for funds relating to capital expenditure which has already been awarded for which can be re- budgeted for;
- ii. Only unspent grant (if the conditions for such grant funding allows that) or loan funded Capital Budget may be rolled over to the next budget year;
- iii. Conditions of the grant fund shall be taken into account in applying for such roll over of funds;
- iv. Application for grant roll over of funds shall be forwarded to the Budget Office by the 15th May each year to be included in next year's Budget for adoption by COUNCIL in May.

- v. With regards to internally funded projects, there shall be no expectation that there shall automatically roll over the project as a whole or in part. All requests shall be received by the budget office from the relevant Business Unit. The approval of this request shall then be decided on by the Council based on the advice received from the CFO taking into account the Business Units prior history of spending, the affordability of the project and the nature of the project alignment with the IDP amongst others.

- vi. No unspent Operating Budget shall be rolled over to the next budget year.

### 12.3 Criteria for the rollover of conditional grant funds

- a) Municipalities may not rollover unspent conditional grant spending in terms of section 28(2)(c) of the MFMA (read together with regulation 23(5) of the Municipal Budget and Reporting Regulations) because they are national/provincial funds. The applicable rollover process is then effected through the national/provincial adjustments budget in November each year.

- b) Section 21 of the 2012 Division of Revenue Act requires that any conditional grants which are not spent at the end of the Municipal financial year must revert to the National Revenue Fund, unless the receiving officer proves to the satisfaction of National Treasury that the unspent allocation is committed to identifiable projects, in which case the funds may be rolled over. When applying to retain unspent conditional allocations
- c) committed to identifiable projects or requesting a rollover in terms of section 21(2) of the Division of Revenue Act, municipalities must supply National Treasury with the following information –
1. A formal letter addressed to the National Treasury requesting the rollover of unspent conditional grants in terms of section 20(2) of the 2011 of DoRA;
  2. List of all the projects that are linked to the unspent conditional grants;
  3. Evidence that work on each of the projects has commenced, namely either of the Following:
    - i) Proof that the project tender was published and the period for tender submissions closed before 30 June; or
    - ii) Proof that a contract for delivery of the project was signed before 30 June.
    - iii) A progress report on the state of implementation of each of the projects;
    - iv) The amount of funds committed to each project, and the conditional allocation from which the funds come from; and
    - v) An indication of the time-period within which the funds are to be spent.

## 12.4 Unspent conditional grant funds

### 12.4.1 The paragraph outlines the process on unspent conditional grant funds

- a) To bring legal certainty to the process of managing unspent conditional grant funds, the latest section 21 of the Division of Revenue Bill must be referred to. The process to ensure the return of unspent conditional grants for the 2011/12 financial year will be managed in accordance with section 21 set out above. The following practical arrangements will apply
-

**I. Step 1:** Municipalities must submit the June conditional grant expenditure reports according to section 71 of MFMA reflecting all accrued expenditure on conditional grants.

**II. Step 2:** When preparing their annual financial statements a municipality must determine what portion of each national conditional allocation it received remained unspent as at 30 June every year. These amounts **MUST** exclude all interest earned on conditional grants and all VAT related to conditional grant spending that has been reclaimed from SARS, which must be disclosed separately.

**III. Step 3:** If the receiving officer wants to motivate in terms of section 20(5)(b) that the funds have been spent or are committed to identifiable projects or wants to propose an alternative payment method or schedule the required information must be submitted to National Treasury by 31 August every year. *National Treasury will not consider any rollover requests that are incomplete (see item 5.6 below) or that are received after this deadline.*

**IV. Step 4:** National Treasury will confirm in writing whether or not the Municipality may retain as a rollover any of the unspent funds because they are committed to identifiable projects or whether it has agreed to any alternative payment methods or schedules by 01 October every year.

**V. Step 5:** A municipality must return the remaining unspent conditional grant funds that are not subject of a specific repayment agreement with National Treasury to the National Revenue Fund by 19 October every year. Failure to return these unspent funds by this date will constitute financial misconduct in terms of section 21(7) of the Division of Revenue Act.

**VI. Step 6:** Any unspent conditional grant funds that should have been repaid to the National Revenue Fund by 19 October every year will be offset against the Municipality's November equitable share allocation.

b) To note that all the calculations of the amounts to be surrendered to the National Revenue Fund will be audited by the Auditor-General.

### 13. BUDGET TRANSFERS AND VIREMENTS

- a) Any matter relating to the budget transfers and virements shall be dealt with in terms of the applicable Virement Policy.

### 14. ADJUSTMENT BUDGET

- a) In the case of an emergency or any other exceptional circumstances virements shall be submitted by the Accounting Officer to the Mayor to authorize any possible unforeseeable and unavoidable expenditure for which no provision was made in an approved budget.
- b) The Mayor must report such expenditure to the COUNCIL at its next meeting which should not be departed more than 60 (sixty) days from approval of expenditure.
- c) The Chief Financial Officer shall ensure that the Adjustment Budgets comply with the requirements of the National Treasury reflect the budget priorities determined by the Mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the Mayor on the revision of the IDP and the budget-related policies where these are indicated.
- d) COUNCIL may revise its Annual Budget by means of an Adjustment Budget at most three times a year.
- e) The Accounting Officer must promptly adjust its budgeted revenues and expenses if a material under-collection of revenues arises or is apparent.
- f) The Accounting Officer shall appropriate additional revenues, which have become available but only to revise or accelerate spending programmes already budgeted for or any areas of critical importance identified by COUNCIL.
- g) The COUNCIL shall in such Adjustment Budget, and within the prescribed framework, confirm unforeseen and unavoidable expenses on the recommendation of the Mayor.
- h) The COUNCIL should also authorise the spending of funds unspent at the end of the previous financial year, where such under-spending could not reasonably have been foreseen at the time the Annual Budget was approved by the COUNCIL.

i) Only the Mayor shall table an Adjustment Budget. Adjustment Budget shall be in accordance with the relevant legislations submitted to COUNCIL :

j) An Adjustment Budget must contain all of the following:

- i) an explanation of how the adjustments affect the approved Annual Budget;
- ii) appropriate motivations for material adjustments; and
- iii) an explanation of the impact of any increased spending on the current and future annual budgets.

k) Any unappropriated surplus from previous financial years, even if fully cash-backed, shall not be used to balance any adjustments budget.

l) Municipal taxes and tariffs may not be increased during a financial year except if required in terms of a financial recovery plan.

m) Unauthorised expenses may not be authorised in an Adjustment Budget apart from prescribed processes.

n) In regard to unforeseen and unavoidable expenditure, the following apply:

- i) the Mayor may authorise such expenses in an emergency or other exceptional circumstances;
- ii) the Municipality may not exceed 1% of the approved Annual Budget in respect of such unforeseen and unavoidable expenses;

iii) these expenses must be reported by the Mayor in the next COUNCIL meeting.

iv) the expenses must be appropriated in an Adjustment Budget; and

v) COUNCIL must pass the adjustment budget within sixty days after the expenses were incurred.



## **15. BUDGET IMPLEMENTATION**

### **15.1. Monitoring**

- a) The Accounting Officer with the assistance of the Chief Financial Officer and other senior managers is responsible for the implementation of the budget, and must take reasonable steps to ensure that:
  - i) funds are spent in accordance with the Budget;
  - ii) expenses are reduced if expected revenues are less than projected; and
  - iii) revenues and expenses are properly monitored.
- b) The Accounting Officer with the assistance of the Chief Financial Officer must prepare any Adjustment Budget when such budget is necessary and submit it to the Mayor for consideration and tabling to COUNCIL.
- b) The Accounting Officer must report in writing to the COUNCIL any impending shortfalls in the Annual Revenue Budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems.

### **15.2. Reporting**

#### **15.2.1. Monthly budget statements**

- a) The Accounting Officer with the assistance of the Chief Financial Officer must, not later than ten working days after the end of each calendar month, submit to the Mayor and Provincial and National Treasury a report in the prescribed format on the state of the Municipality's Budget for such calendar month, as well as on the state of the budget cumulatively for the financial year to date.
- b) The Accounting Officer is to further table a report on the state of the Municipality's budget for a particular month, and cumulatively for the financial year to date at the next portfolio meeting subsequent to the end of that particular month.

#### **15.2.2 This report must reflect the following:**

- i) actual revenues per source, compared with budgeted revenues;
- ii) actual expenses per vote, compared with budgeted expenses;
- iii) actual capital expenditure per vote, compared with budgeted expenses;

- iv) actual borrowings, compared with the borrowings envisaged to fund the capital budget;
- v) the amount of allocations received, compared with the budgeted amount;
- vi) actual expenses against allocations, but excluding expenses in respect of the equitable share;
- vii) the remedial or corrective steps to be taken to ensure that the relevant projections remain within the Approved or Revised Budget; and
- viii) projections of the revenues and expenses for the remainder of the financial year, together with an indication of how and where the original projections have been revised.
- x) The report to the National Treasury must be both in electronic format and in a signed written document.

#### 15.2.3 Quarterly Reports

- a) The Mayor must submit to COUNCIL, within thirty days of the end of each quarter a report on the implementation of the Budget and the financial state of affairs of the Municipality.

#### 15.2.4 Mid-year budget and performance assessment

- a) The Accounting Officer must assess the budgetary performance of the Municipality for the first half of the financial year, taking into account all the monthly budget reports for the first six months, the service delivery performance of the Municipality as against the service delivery targets and performance indicators which were set in the Service Delivery and Budget Implementation Plan.

- b) The Accounting Officer must then submit a report on such assessment to the Mayor by 25 January each year and to COUNCIL, Provincial Treasury and National Treasury by 31 January each year.

- c) The Accounting Officer may in such report make recommendations after considering the recommendation of the Chief Financial Officer for adjusting the Annual Budget and for revising the projections of revenues and expenses set out in the Service Delivery and Budget Implementation Plan.

### 16. CONCLUSION

The Executive Manager : Corporate Services must place on the Municipality's official website the following:

- a) the Annual and Adjustment Budgets and all budget-related documents;
- b) all budget-related policies;
- c) the Integrated Development Plan;
- d) the Annual Report;
- e) all Performance Agreements;
- f) all Service Delivery Agreements;
- g) all long-term borrowing contracts;
- h) all quarterly and mid-year reports submitted to the COUNCIL on the implementation of the budget and the financial state of affairs of the Municipality.

#### **17. COMPLIANCE AND ENFORCEMENT**

- a) Violation of or non-compliance with this Policy may give a just cause of disciplinary steps to be taken.
- b) It will be the responsibility of Accounting Officer to enforce compliance with this Policy.

#### **18. EFFECTIVE DATE**

The Policy shall come to effect upon approval by Council of KwaDukuza Municipality.

#### **19. POLICY ADOPTION**

This Policy has been considered and approved by COUNCIL OF KWADUKUZA LOCAL MUNICIPALITY as follows:

Resolution No:.....

Approval Date:.....



## 20. ANNEXURE: LEGAL REQUIREMENTS

### **Municipal Finance Management Act**

#### Section 15 Appropriation of funds for expenditure

Expenses may only be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for each budget vote.

#### Section 16 Annual budgets

The Council of the Municipality must approve the annual budget before the start of the financial year to which it relates.

The Mayor must table the annual budget at least ninety days before the start of such financial year.

The capital budget may extend over three years, provided that it is separated into annual appropriations for that period.

#### Section 17 Contents of annual budgets and supporting documents

The budget must be in the prescribed format, and must be divided into a capital and an operating budget.

The budget must reflect the realistically expected revenues by major source for the budget year concerned.

The expenses reflected in the budget must be divided into votes.

The budget must also contain the foregoing information for the two financial years following the financial year to which the budget relates, as well as the actual revenues and expenses for the year before the current year, and the estimated revenues and expenses for the current year.

The budget must be accompanied by all the following documents:

- draft resolutions approving the budget and levying property rates, other taxes and tariffs for the financial year concerned;
- draft resolutions (where applicable) amending the IDP and the budget-related policies;
- measurable performance objectives for each budget vote, taking into account the municipality's IDP;
- the projected cash flows for the financial year by revenue sources and expenditure votes;

- any proposed amendments to the IDP;
- any proposed amendments to the budget-related policies;
- the cost to the municipality of the salaries, allowances and other benefits of its political office bearers and other Councillors, the Municipal Manager, the Chief Financial Officer, and other senior managers;
- particulars of any proposed allocations or grants to other municipalities, municipal entities, external mechanisms assisting the Municipality in service delivery, other organs of state, and organisations such as NGOs, welfare institutions and so on;
- particulars of the Municipality's investments; and
- various information in regard to municipal entities under the shared or sole control of the Municipality.

#### Section 18 Funding of expenditures

The budget may be financed only from:

- realistically expected revenues, based on current and previous collection levels;
- cash-backed funds available from previous surpluses where such funds are not required for other purposes; and
- borrowed funds in respect of the capital budget only.

#### Section 19 Capital projects

The municipality may spend money on a capital project only if the money for the project (including the cost of any required feasibility studies) has been appropriated in the capital budget.

The total cost of the project must also be approved by the Council.

The envisaged sources of funding for the capital budget must be properly considered and the Council must be satisfied that this funding is available and has not been committed for other purposes.

Before approving a capital project, the Council must consider the projected cost of the project over all the ensuing financial years until the project becomes operational, as well as the future operational costs and any revenues which may arise in respect of such project, including the likely future impact on property rates and service tariffs.

### Section 20 Matters to be prescribed

The minister of finance must prescribe the form of the annual budget, and may further prescribe a variety of other matters, including the inflation projections which the municipality must use in compiling its budget.

The minister may also prescribe uniform norms and standards in regard to the setting of tariffs where a municipality entity or other external mechanisms is used to perform a municipal service; and may also take appropriate steps to ensure that a municipality does not, in exceeding its fiscal powers, materially and unreasonably prejudice national economic policies (particularly on inflation, administered pricing and equity), economic activities across municipal boundaries, and the national mobility of goods, services, capital or labour.

### Section 21 Budget preparation process

The mayor of the municipality must:

- Co-ordinate the processes for preparing the annual budget, and for reviewing the municipality's IDP and budget-related policies to ensure that the budget, the IDP, and the policies are mutually consistent and credible.
- At least ten months before the start of the ensuing financial year, table in the Council the time schedule with key deadlines for the preparation, tabling and approval of the following year's annual budget, the review of the IDP and budget-related policies, and the consultative processes required in the approval of the budget.
- When preparing the annual budget, take into account the municipality's IDP, the national budget, provincial budget, the national government's fiscal and macro-economic policies, and the annual Division of Revenue Act.
- Take all reasonable steps to ensure that the municipality revises its IDP in line with realistic revenue and expenditure projections for future years
- Consult the district municipality (if it is a local municipality) and all other local municipalities in the district, and all other local municipalities in the district if it is a district municipality.
- Consult the national treasury when requested, the provincial treasury, and such other provincial and national organs of state as may be prescribed.
- Provide, on request, any budget-related information to the national treasury, other national and provincial organs of state, and any other municipality affected by the budget.

## Section 22 Publication of annual budgets

Immediately after the annual budget has been tabled, the Municipal manager must make this budget and other budget-related documentation public, and must invite the local community to submit representations in regard to such budget.

The Municipal manager must also immediately submit the tabled budget in both printed and electronic formats to the national treasury, the provincial treasury, and in either format to prescribed national and provincial organs of state and other Municipalities affected by the budget.

## Section 23 Consultations on tabled budgets

After the budget has been tabled, the Council of the Municipality must consider the views of the local community, the national treasury, the provincial treasury, and any provincial or national organs of state or Municipalities which have made submissions on the budget.

After considering these views, the Council must give the mayor the opportunity to respond to the submissions received, and – if necessary – revise the budget and table the relevant amendments for consideration by the Council.

The national treasury may issue guidelines on the manner in which the Council must process the annual budget, including guidelines on the formation of a committee of the Council to consider the budget and hold public hearings. Such guidelines shall be binding only if they are adopted by the Council.

## Section 24 Approval of annual budgets

The Council must consider approval of the budget at least thirty days before the start of the financial year to which such budget relates.

The budget must be approved before the start of such financial year, and the resolutions and performance objectives referred to in Section 17 must simultaneously be adopted.

## Section 25 Failure to approve budget before start of budget year

This section sets out the process which must be followed if the budget is not approved in the normal course of events. Briefly the Council must reconsider and vote on the budget, or an amended version of the budget, every seven days until a budget is approved. The mayor must immediately inform the MLC for Local Government if the budget is not adopted by the start of the budget year, and may request a provincial intervention.



### Section 26 Consequences of failure to approve budget before start of budget year

The provincial executive must intervene in any municipality which has not approved its annual budget by the start of the relevant financial year. Such intervention must entail the taking of any appropriate steps to ensure a budget is approved, including dissolving the Council and appointing an administrator until a new Council can be elected, and approving a temporary budget until such new Council can adopt a permanent budget for the municipality. The section also imposes restrictions on what may be spent in terms of such temporary budget.

### Section 27 Non-compliance with provisions of this chapter

This section sets out the duties of the mayor to report any impending non-compliance and the general consequences of non-compliance with the requirements of the various foregoing prescriptions.

### Section 28 Municipal adjustments budgets

The municipality may revise its annual budget by means of an adjustments budget.

However, the municipality must promptly adjust its budgeted revenues and expenses if a material under-collection of revenues arises or is apparent.

The municipality may appropriate additional revenues which have become available but only to revise or accelerate spending programmes already budgeted for.

The municipality may in such adjustments budget, and within the prescribed framework, authorise unforeseen and unavoidable expenses on the recommendation of the mayor.

The municipality may authorise the utilisation of projected savings on any vote towards spending under another vote.

Municipalities may also authorise the spending of funds unspent at the end of the previous financial year, where such under-spending could not reasonably have been foreseen at the time the annual budget was approved by the Council.

Only the mayor of the municipality may table an adjustments budget. Such budget may be tabled whenever necessary, but limitations on the timing and frequency of such tabling may be prescribed.

An adjustments budget must contain all of the following:

- an explanation of how the adjustments affect the approved annual budget;
- appropriate motivations for material adjustments; and

- an explanation of the impact of any increased spending on the current and future annual budgets.

Municipal taxes and tariffs may not be increased during a financial year except if required in terms of a financial recovery plan.

#### Section 29 Unforeseen and unavoidable expenditure

In regard to unforeseen and unavoidable expenses, the following apply:

- the mayor may authorise such expenses in an emergency or other exceptional circumstances;
- the municipality may not exceed a prescribed percentage of the approved annual budget in respect of such unforeseen and unavoidable expenses;
- these expenses must be reported by the Mayor to the next Council meeting;
- the expenses must be appropriated in an adjustments budget; and
- the adjustments budget must be passed within sixty days after the expenses were incurred.

#### Section 30 Unspent funds

The appropriation of funds in an annual or adjustments budget will lapse to the extent that they are unspent by the end of the relevant budget year, but except for the expenses referred to above in Section 16.

#### Section 31 Shifting of funds between multi-year appropriations

If the funds for a capital project have been appropriated for more than one financial year (see Section 16) these expenses may exceed the appropriation for any one financial year, provided:

- the increase is not more than 20% of that financial year's allocation;
- the increase is funded in the next financial year's appropriations;
- the Municipal Manager certifies that actual revenues are expected to exceed budgeted revenues, and that enough funds will be available to finance such increased appropriation without incurring further borrowing beyond the annual budget limit;
- the Mayor gives prior written approval for such increased appropriation; and
- all the above documentation is provided to the Auditor-General.

#### Section 32 Unauthorised, irregular or fruitless and wasteful expenditure

Unauthorised expenses may be authorised in an adjustments budget.

### Section 33 Contracts having future budgetary implications

Contracts extending beyond one financial year may be entered into by a municipality, but if such contract extends beyond the three years covered in the annual budget, the Municipality may enter into such contract only if:

- The municipal manager, at least sixty days before the Council meeting at which the contract is to be approved, has made the contract public, with an information statement summarising the municipality's obligations, and inviting the local community and other interested parties to submit comments or make representations.
- The municipal manager solicits the views and recommendations of the national treasury and provincial treasury in respect to such contract, as well as those of the national department of provincial and local government, and any national department concerned with water, sanitation or electricity, if the contract relates to any of these services.
- The Council has taken into account the projected financial obligations in regard to such contract, the impact on tariffs, and the views and comments received from all the foregoing parties.
- The Council adopts a resolution determining that the municipality will secure a significant capital investment or derive a significant financial or economic benefit from the contract, and approves the entire contract exactly as it is to be executed.

A contract for purposes of this section shall exclude any contract relating to the incurring of long-term debt by the municipality, employment contracts, contracts for categories of goods as may be prescribed, or contracts where the value of the contract is less than a prescribed value or a prescribed percentage of the annual budget.

### Section 42 Price increases of bulk resources for provision of municipal services

National and provincial organs of state which supply water, electricity or any other bulk resources to municipalities or municipal entities for the provision of municipal services may increase the price of such resources only after doing all the following:

- The proposed increase must be submitted to the organ's executive authority and (where legislation so requires) to any regulatory agency for approval.
- At least forty days prior to the above submission the National Treasury and organised local government must be invited to submit written comments on the proposed increase.

- The executive authority, after taking into account the comments received, must table the price increase in Parliament or the provincial legislature, as the case may be, with a full motivation and certain other prescribed explanatory documentation.

Unless the Minister of Finance otherwise directs, a price increase must be tabled on or before 15 March to take effect from 1 July of the same year. If it is tabled after 15 March it may only take effect from 1 July of the following year.

#### Section 43 Applicability of tax and tariff capping on municipalities

If a national or provincial organ of state is legislatively empowered to determine the upper limits of any municipal tax or tariff, such determination takes effect on the date specified in the determination, but provided that, unless the Minister of Finance otherwise directs:

- A determination promulgated on or before 15 March shall not take effect before 1 July of the same year.
- A determination promulgated after 15 March shall not take effect before 1 July of the following year.
- A determination shall not be allowed to impair a municipality's ability to meet any annual or periodic escalations in the payments it must make in respect of any contract legally entered into by a municipality.

#### Section 53 Budget processes and related matters

The mayor of the municipality must:

- Provide general political guidance over the annual budget process and the priorities that guide the preparation of each budget.
- Co-ordinate the annual revision of the IDP, as well as the preparation of the annual budget, and determine how the IDP is to be taken into account or is to be revised for purposes of such budget.
- Take all reasonable steps to ensure that the Council approves the annual budget before the start of the financial year to which it relates, and that the municipality's service delivery and budget implementation plan is approved within twenty-eight days after the approval of the budget.

- Ensure that the annual performance agreements for the municipal manager and the senior managers of the municipality are linked to measurable performance objectives which are approved with the budget and the service delivery and budget implementation plan.

The mayor must promptly report to the Council and the MEC for Local Government any delay in tabling the annual budget, approving the service delivery and budget implementation plan or signing the annual performance agreements.

The mayor must further ensure that the service delivery targets and quarterly performance indicators, and the monthly projections of revenues and expenses in the service delivery and budget implementation plan, are made public not later than fourteen days after these matters have been approved; and that the performance agreements of the municipal manager and other senior officials are similarly made public not later than fourteen days after their approval.

#### Section 68 Budget preparation

The municipal manager must assist the mayor in performing the assigned budgetary functions and must provide the mayor with administrative support, operational resources and the information necessary to perform these functions.

#### Section 69 Budget implementation

The municipal manager is responsible for implementing the budget, and must take reasonable steps to ensure that:

- funds are spent in accordance with the budget;
- expenses are reduced if expected revenues are less than projected; and
- revenues and expenses are properly monitored.

The municipal manager must prepare any adjustments budget when such budget is necessary and submit it to the mayor for consideration and tabling in Council.

The municipal manager must submit a draft service delivery and budget implementation plan to the mayor fourteen days after the annual budget has been approved, and must also within the same period submit drafts of the annual performance agreements to the Mayor.

#### Section 70 Impending shortfalls, overspending and overdrafts

The municipal manager must report in writing to the Council any impending shortfalls in the annual revenue budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems.

### Section 71 Monthly budget statements

The municipal manager must, not later than ten working days after the end of each calendar month, submit to the mayor and provincial treasury a report in the prescribed format on the state of the municipality's budget for such calendar month, as well as on the state of the budget cumulatively for the financial year to date.

This report must reflect the following:

- actual revenues per source, compared with budgeted revenues;
- actual expenses per vote, compared with budgeted expenses;
- actual capital expenditure per vote, compared with budgeted expenses;
- actual borrowings, compared with the borrowings envisaged to fund the capital budget;
- the amount of allocations received, compared with the budgeted amount;
- actual expenses against allocations, but excluding expenses in respect of the equitable share;
- explanations of any material variances between the actual revenues and expenses as indicated above and the projected revenues by source and expenses by vote as set out in the service delivery and budget implementation plan;
- the remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and
- projections of the revenues and expenses for the remainder of the financial year, together with an indication of how and where the original projections have been revised.

The report to the national treasury must be both in electronic format and in a signed written document.

### Section 54 Budgetary control and early identification of financial problems

On receipt of the report from the municipal manager, the mayor must:

- consider the report;
- check whether the budget has been implemented in accordance with the service delivery and budget implementation plan;
- issue appropriate instructions to the municipal manager to ensure that the budget is implemented in accordance with this plan, and that the spending of funds and the collection of revenues proceed in accordance with the approved budget;

- identify any financial problems facing the Municipality, as well as any emerging or impending financial problems; and
- submit to the Council within thirty days of the end of each quarter a report on the implementation of the budget and the financial state of affairs of the municipality.

If the Municipality faces any serious financial problems, the Mayor must:

- promptly respond to and initiate the remedial or corrective steps proposed by the Municipal Manager, and
- alert the MEC for Local Government and the Council of the municipality to the problems concerned.

The mayor may revise the details of the service delivery and budget implementation plan, but any revisions to the service delivery targets and quarterly performance indicators must be approved by the Council, and be supported by an adjustments budget. Any changes made to the projections of revenues and expenses as set out in the plan must promptly be made public.

#### Section 55 Report to provincial executive if conditions for provincial intervention exist

If the Council has not approved its annual budget by the first day of the financial year to which it relates, or if the municipality encounters serious financial problems, the mayor must immediately report this matter to the MEC for Local Government and may recommend a provincial intervention.

#### Section 72 Mid-year budget and performance assessment

The municipal manager must assess the budgetary performance of the municipality for the first half of the financial year, taking into account all the monthly budget reports for the first six months, the service delivery performance of the municipality as against the service delivery targets and performance indicators which were set in the service delivery and budget implementation plan, and the past financial year's annual report and the progress made in resolving problems identified in such report.

The municipal manager must then submit a report on such assessment to the mayor, the national treasury and the provincial treasury.

The municipal manager may in such report make recommendations for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan.

In terms of Section 54(1)(f) the mayor must promptly submit this assessment report to the Council of the municipality.

Section 73 Reports on failure to adopt or implement budget-related and other policies

The municipal manager must inform the provincial treasury, in writing, of any failure by the Council to adopt or implement any budget-related policy or a supply chain management policy, and of any non-compliance by an office bearer or political structure with such policy.

Section 75 Information to be placed on websites of municipalities

The municipal manager must place on the municipality's official website (inter alia) the following:

- the annual and adjustments budgets and all budget-related documents;
- all budget-related policies;
- the annual report;
- all performance agreements;
- all service delivery agreements;
- all long-term borrowing contracts;
- all quarterly reports submitted to the Council on the implementation of the budget and the financial state of affairs of the municipality.

Section 80 Establishment (of municipal budget and treasury office)

Every municipality must have a budget and treasury office comprising a chief financial officer supported by appointed officials and contracted staff.

Section 81 role of chief financial officer

The chief financial officer is administratively in charge of the budget and treasury office and must, inter alia,

- assist the municipal manager in preparing and implementing the budget;
- perform such budgeting, financial reporting and financial management and review duties as are delegated by the municipal manager;
- account to the municipal manager for the performance of all the foregoing responsibilities.

Section 83 Competency levels of professional financial officials

The municipal manager, senior managers, the chief financial officer and the other financial officials in a municipality must all meet prescribed financial management competency levels.



# SUMMARISED TIMETABLE

NOTE: DATES IN BRACKETS ARE INDICATIVE.

FINAL DATE	ACTION BY MUNICIPALITY	ACTION BY MUNICIPAL ENTITY
31 August	Table in Council timetable for preparation of coming year's annual budget	-
25 January	Assess current year's budget performance	-
31 January	Table assessment report in Council	-
31 January or earlier	-	Submit proposed budget for coming year to municipality
(31 January or earlier)	Table municipal entity's adjustments budget for coming year	Submit adjustments budget for current year to municipality and make budget public
(Between 31 January and 31 March)	Table municipality's adjustments budget for current year and changes to service delivery targets and KPIs	-
(Between 31 January and 31 March)	Make public (adjustments budget and) revisions to service delivery and budget implementation plan for current year	-
Mid-March	-	Submit revised budget for coming year to municipality
31 March	Table municipality's draft budget for coming year	-
31 March	Table municipal entity's revised budget for coming year	-
Immediately after 31 March	Make public draft budget for coming year and invite submissions from community, provincial treasury and others	-
FINAL DATE	ACTION BY MUNICIPALITY	ACTION BY MUNICIPAL ENTITY
Before 31 May	Respond to submissions and revise draft budget for coming year	-
31 May	Consider approval of budget for coming year and attendant resolutions	Approve revised budget for coming year and make budget public
30 June	Budget for coming year and attendant resolutions must be approved by 30 June. Approved budget of entity must be tabled.	-
Early June to early July: immediately after budget approved	Submit budget to National Treasury and Provincial Treasury	-

Early June to early July: immediately after approval dates	Place on website annual budgets and all budget-related documents	-	
Mid June to mid July: 14 days after budget approved	Finalise draft service delivery and budget implementation plan and draft performance agreements	-	
Late June to late July: 28 days after budget approved	Approve service delivery and budget implementation plan	-	
Late June to late July: 28 days after budget approved	Conclude performance agreements	-	
Mid July to mid August: 14 days after service delivery and budget implementation plan approved	Make public projections of revenues and expenses for each month of coming year, service delivery targets for each quarter, and performance agreements	-	

**DETAILED BUDGET TIMETABLE**

Section of Municipal Finance Management Act No. 56 of 2003	Date by which action must be completed	Action required	Responsible party	Practical considerations
21(1)(b)	31 August	Mayor must at least 10 months before start of budget year table in Council time schedule outlining key deadlines for <ul style="list-style-type: none"> <li>- preparation, tabling and approval of annual budget</li> <li>- annual review of IDP</li> <li>- annual review of budget-related policies</li> <li>- tabling and adoption of any amendments to IDP and budget-related policies</li> <li>- any consultative processes forming part of foregoing</li> </ul>	Mayor	Time schedule must either fit in with already scheduled Council meetings or must indicate when special Council meetings must be scheduled.
Section 88	20 January	Accounting officer of municipal entity must assess entity's budgetary and financial performance for first six months of financial year, and submit assessment report to board of directors and parent municipality.		
72(1), (2) and (3)	25 January	Accounting officer of municipality must assess budgetary and financial performance of municipality for first six months of financial year, make recommendations on whether adjustments budget necessary, and recommend revised projections for revenues and expenses. This assessment must be submitted to the Mayor, national treasury and the provincial treasury (presumably immediately).	Accounting officer	

54(1)(f)	31 January	Mayor must submit accounting officer's report to Council.	Mayor	Special Council meeting may have to be scheduled.
87	31 January or earlier if requested by parent municipality	Board of directors of municipal entity must submit to parent municipality proposed budget for entity for ensuing financial year.	Board of directors of entity	It is not clear to what person or structure in the parent municipality this budget must be submitted.  However, it makes good sense for the Council of the Municipality to consider this budget at the same meeting that it considers the municipality's own proposed adjustments budget.
87	(31 January to mid-March)	Parent municipality must consider proposed budget, and make any necessary recommendations.		It is not clear what person or structure in the parent municipality must perform this action, but the Council seems the logical party. It would also make sense for the Council to consider this budget by 31 January.
87	(Tabled in Council by 31 January)	Board of directors of entity may, with approval of Mayor of parent municipality, revise budget of entity for certain prescribed reasons. Adjustments budget once approved by board of directors of entity must be tabled by Mayor at next meeting of Council of parent municipality. Adjustments budget must be made public.	Board of directors and Mayor of parent municipality	Evidently such an adjustments budget may be prepared at any stage. It would make good sense, however, for the parent municipality to insist that the entity's revised budget be prepared and submitted to the Mayor at the same time that or before the entity's proposed budget for the new financial year is considered.

54(1) and (2)	(Between 31 January and 31 March)	If municipality faces "serious financial problems" Mayor must "promptly" respond to and initiate remedial steps proposed by accounting officer, including steps to reduce expenses and tabling of adjustments budget. Mayor must also consider revisions to service delivery and budget implementation plan. (Note that only Council may approve changes to service delivery targets and KPIs – these changes must therefore be tabled with the adjustments budget).	Mayor	<p>Again the potential problem of different parent municipalities having different views will have to be resolved by (presumably) the Mayors considered.</p> <p>Adjustments budgets may be prepared by the accounting officer, and tabled in Council by the Mayor "when necessary". They must be so prepared and tabled (within prescribed limits as to timing and frequency) whenever material adjustments to expenses or revenues are required, and not only when "serious financial problems" are looming. In general, adjustments budgets should preferably be tabled by or as soon as possible after 31 January, and certainly not later than 31 March when the draft annual budget for the next year is first tabled.</p>
54(3)	(Between 31 January and 31 March)	Mayor must ensure that revisions to service delivery and budget implementation plan are "promptly" made public. (Note that no concomitant revision of performance agreements is evidently envisaged).	Mayor	Presumably the accounting officer must make these revisions for the Mayor's approval as part of the process of adjusting the annual budget. The deadline for these revisions must be by or as soon as possible after 31 January, but certainly not later than 31 March. See also 54(1) and (2).
87	100 days before start of financial year	Board of directors of entity must consider recommendations, and if necessary submit revised budget to parent municipality.	Board of directors of entity	

	(approximately mid March)				
16(2)	31 March	Mayor must table (draft) annual budget of municipality at Council meeting at least 90 days before start of budget year.	Mayor	Council meeting must be scheduled appropriately.	
87	31 March	Mayor of parent municipality must table originally proposed or proposed revised budget (as case may be) of entity when (draft) annual budget of municipality first tabled.	Mayor	-	
22(a) and 22(b)	Immediately after 31 March or earlier date if annual budget tabled before 31 March	Immediately after (draft) annual budget tabled in Council, accounting officer must (1) make public budget and documents referred to in Section 17(3), and invite local community to submit representations in connexion with budget, and (2) submit annual budget in both printed and electronic formats to provincial treasury, and in either format to prescribed national and provincial organs of state and to other municipalities affected by the budget.	Accounting officer		
23(2)	Before 31 May	Council must give Mayor opportunity (1) to respond to submissions received on (draft) annual budget and attendant documentation and (2) to revise budget, if necessary, and table amendments for consideration by Council.	Mayor and Council	-	
24(1) and (2)	31 May	Council must consider approval of annual budget, together with resolutions imposing rates and levies, setting tariffs, approving measurable performance objectives for revenue from each source and for each	Council	Although Council has until 30 June to approve budget, best practice will be to approve budget not later than 31 May.	

			vote, approving any changes to IDP, and approving any changes to budget-related policies.		
87(4)	31 May		Board of directors of municipal entity must approve budget for coming year, having taken into account recommendations of Council of parent municipality, and must make budget public.	Board of directors of municipal entity	
24(3)	(Immediate after approval date)		Accounting officer must submit approved annual budget to national treasury and provincial treasury.	Accounting officer	No time limit is specified for this action, and neither is the format in which the budget is to be submitted specified.  Common sense dictates that the submission should be at least in electronic format and that it should be made as soon as possible after the approval date.
25(1) and (2)	Within 7 days of date of Council meeting which failed to approve annual budget		If Council fails to approve annual budget at meeting scheduled in terms of Section 24, must reconsider budget within 7 days of date of such meeting. If necessary, process must be repeated until budget approved by 30 June.	Council	As province will intervene if budget not approved by 30 June, Mayor, Councillors and accounting officer must co-operate to ensure obstacles to approval timeously removed.
69(3)(a) and (b)	14 days after approval of annual budget (mid June to mid July)		Accounting officer must submit to Mayor draft service delivery and budget implementation plan, and drafts of annual performance agreements for Municipal Manager and all senior managers.	Accounting officer	
53(1)(c)(ii)	Within 28 days after date annual budget approved		Service delivery and budget implementation plan must be approved by Mayor, including projections of revenues and expenses for each month, and service delivery targets and performance indicators for each quarter. (Note that	Mayor	-

	(late June to late July)	though the Mayor approves these targets and KPIs, only the Council may change them and then only following the approval of an adjustments budget. See Section 54(1)(c).		
53(1)(c)(iii)(aa) & (bb)	Within 28 days after date annual budget approved (late June to late July)	Mayor must take all reasonable steps to ensure that annual performance agreements for Municipal Managers and all senior managers are linked to measurable performance objectives approved with the budget and to the service delivery and budget implementation plan, and are concluded in accordance with Section 57(2) of the Municipal Systems Act.	Mayor	No date is specified for the completion of this requirement, but the logical inference is that the date should not be much later than the date on which the service delivery and budget implementation plan must be approved. See Section 53(3)(b).
16(1)	30 June	Annual budget must be approved by Council	Council	-
53(3)(a) and (b)	14 days after approval of service delivery and budget implementation plan (mid July to mid August, depending on date plan approved)	Projections of revenues and expenses for each month and service delivery targets for each quarter (as set out in approved service delivery and budget implementation plan), and performance agreements of Municipal Manager and senior manager must be made public, and copies of performance agreements must be submitted to Council and MEC for local government.	Mayor	Although this is not specified as a requirement, logic dictates that copies of the service delivery and budget implementation plan should also be submitted to Council and the MEC.





**KWADUKUZA      MUNICIPALITY**

**("The Municipality")**

# **FUNDS            AND            RESERVES POLICY**

**INDEX**

Page No.

1	Definitions	2
2	Introduction	2
3	Objectives of the policy	2
4	Legislative Requirements	3
5	Funding of the Annual Budget	3
6	Cash management	3
7	Debt management	4
8	Operating Budget	4
9	Capital Budget	6
10	Reserves	8
11	Provisions	9
12	Other items to be Cash Backed	10
13	Review	11
14	Policy adoption	11

## 1. DEFINITIONS

"Municipality" means Kwadukuza Local Municipality

"MFMA" means the Municipal Financial Management Act, 2003 (Act No 56 of 2003)

"GRAP" means Generally Accepted Accounting Practices standards.

"CFO" means the Chief Financial officer of the Municipality

"Accounting Officer" means the Municipal Manager of the Municipality

## 2. INTRODUCTION

The funding and reserves policy aims to ensure that the Municipality has sufficient and cost-effective funding in order to achieve its objectives through the implementation of its operating and capital budgets.

This policy aims to set guidelines towards ensuring financial viability over both the short- and long-term which includes reserves requirements.

## 3. OBJECTIVES OF THIS POLICY

The objectives of this policy are to:

- 3.1 Ensure that the Medium Term Expenditure Framework (annual budget) of the Municipality is appropriately funded.
- 3.2 Ensure that cash resources and reserves are maintained at the required levels to avoid future year unfunded liabilities.
- 3.3 To achieve financial sustainability with acceptable levels of service delivery to the community.

- 4. LEGISLATIVE REQUIREMENTS**
- The legislative framework governing borrowings are:
- 4.1 Local Government Municipal Finance Management Act, 2003 (Act No. 56 of 2003); and,
- 4.2 Local Government: Municipal Budget and Reporting Regulation, Regulation 393, published under Government Gazette 32141, 17 April 2009.
- 5. FUNDING OF ANNUAL BUDGET**
- 5.1 An annual budget may only be funded from:
- (a) Cash backed accumulated funds from previous year's surpluses and reserves not committed for any other purpose; and/or
- (b) Borrowed funds but only for capital expenditure.
- 5.2 Realistic anticipated revenue projections must take into account:
- (a) Projected revenue for the current year based on collection levels to date.
- (b) Actual revenue collected in previous financial years.
- 5.3 Capital expediting may only incur on a capital project if:
- (a) The funding for the project has been appropriated in the capital budget.
- (b) The total cost for the project has been approved by Council.
- (c) The future budgetary implications and projected cost covering all financial years until the project is operational has been considered.
- (d) The implications of the capital budget on municipal tax and tariff increases.
- (e) The sources of funding are available and confirmed and have not been committed for other purposes.
- 6. CASH MANAGEMENT**
- 6.1 The availability of cash is one of the most important requirements for financial sustainability and must be closely monitored by Council to ensure minimum days cash on hand of ninety (90) days for its daily operations.
- 6.2 Changes in the municipal environment that may have an impact on the municipal

cash position includes:

- (a) Changes in revenue levels as a result of consumption patterns (water Restrictions, load shedding etc.);
  - (b) Reduced growth as a result of economic conditions;
  - (c) Increase in non-payment rate as a result of economic conditions;
  - (e) Increased debt levels.
- 6.3 Surplus cash not immediately required for operational purposes is invested in terms of the Municipality's investment policy to maximize the return on cash.

## **7. DEBT MANAGEMENT**

- 7.1 Debt is managed in terms of the municipal credit control and debt collection policy.
- 7.2 The provision for revenue that will not be collected are budgeted as an expense and is based on the projected annual non-payment rate for each service.

## **8. OPERATING BUDGET**

- 8.1 The operating budget provides funding to departments for their medium term expenditure as planned. The Municipality categorises services rendered to the community according to its revenue generating capabilities.
- (a) Trading services - services that generate surpluses that can be used for cross subsidisation to fund other services.
  - (b) Economic services - services that break even with no surpluses.
  - (c) Rates and general services - services that are funded by rates, surpluses generated by trading services, and/or other revenues generated such as fines, interest received, grants and subsidies etc.
- 8.2 The operating budget is funded from the following main sources of revenue:
- (a) Property rates.
  - (b) Surpluses generated from service charges. (Including electricity)
  - (c) Government grants and subsidies.
  - (d) Other revenue, fines, interest received etc.

8.3 The following guiding principles apply when compiling the operating budget:

- (a) The annual budget must be balanced and fully funded.
- (b) Growth parameters must be realistic taking into account the current economic conditions.
- (c) Tariff adjustments must be realistic, taking into consideration the general inflation, affordability, bulk increases and the demand according to the approved Integrated Development Plan (IDP).
- (d) Revenue from government grants and subsidies must be in line with allocations gazette in the Division of Revenue Act and provincial gazettes.
- (e) Revenue from public contributions, donations or any other grants may only be included in the budget if there are acceptable documentation that guarantees the funds such as:
  - (i) Signed service level agreement;
  - (ii) Contract or written confirmation; or
  - (iii) Any other legally binding document.
- (f) Property rates are levied according to the Municipal Property Rates Act 2004 (Act No.6 of 2004), and property rates policy. The budget is compiled using the latest approved valuation and supplementary roll, consistent with current and past trends. Property rates tariffs and rebates are determined annually as part of the tariff setting process.
- (g) Property rates rebates, exemptions and reductions are budgeted either as revenue foregone or expenditure as per directive in MFMA Budget Circular 51 depending on the conditions thereof.
- (h) Projected revenue from service charges must be realistic based on current and past trends with expected growth considering the current economic conditions. The following factors must be considered for each service, where applicable:
  - (i) Electricity and Refuse removal services:
    - The actual number of stands/consumer points receiving the service per category; and
    - Actual revenue collected in previous financial years.
  - (i) Rebates, exemptions or reductions for service charges are budgeted either as revenue foregone or as expenditure as per directive in MFMA Budget Circular 51 depending on the conditions thereof.

- (j) Other projected income is charged in terms of the approved sundry\ tariffs and fines considering the past trends and expected growth for each category.
- (k) Provision for revenue that will not be collected is made against the expenditure item bad debt provision and based on actual collection levels for the previous financial year and the projected annual non-payment rate.
- (l) Interest received from actual long-term and or short-term investments are based on the amount reasonably expected to be earned on cash amounts available during the year according to the expected interest rate trends.
- (o) A detailed salary budget is compiled on an annual basis. All funded positions are budgeted for in total and new and/or funded vacant positions are budgeted for nine months only of the total package considering the recruitment process.
- (p) The annual cash flow requirement for the repayment of borrowings must fully be taken into consideration with the setting of tariffs.
- (q) To ensure the health of municipal assets, sufficient provision must be made for the maintenance of existing and infrastructure assets based on affordable levels, resulting that maintenance budgets are normally lower than the recommended levels. Therefore the mere reduction of maintenance budgets to balance annual budgets must carefully be considered. As a guiding principle repair and maintenance should constitute between 7% and 9% of total asset base and should annually be increased incrementally until the required targets are achieved.
- (r) Individual expenditure line items are to be revised each year when compiling the budget to ensure proper control over expenditure increases for these line items must be linked to the average inflation rate and macro-economic indicators unless a signed agreement or contract stipulates otherwise.

## 9. CAPITAL BUDGET

9.1 The capital budget provides funding for the municipality's capital programme based on the needs and objectives as identified by the community through the integrated Development Plan and provides for the eradication of infrastructural backlogs, renewal and upgrading of existing infrastructure, new developments and enlargement of bulk infrastructure.

9.2 Provisions on the capital budget shall be limited to availability of sources of funding and affordability. The main sources of funding for capital expenditure are:

- (a) Accumulated cash backed internal reserves;
- (b) Borrowings;
- (c) Government grants and subsidies; and
- (d) Public donations and contributions.

9.3 The following guiding principles apply when considering sources of funding for the capital budget:

- (a) Government grants and subsidies:
  - (i) Only gazette allocations or transfers as reflected in the Division of Revenue Act or allocations as per provincial gazettes may be used to fund projects;
  - (ii) The conditions of the specific grant must be taken into consideration when allocated to a specific project; and
  - (iii) Government grants and subsidies allocated to specific capital projects are provided for on the relevant department's operating budget to the extent the conditions will be met during the financial year.
- (b) In the case of public contributions, donations and/or other grants, such capital projects may only be included in the annual budget if the funding is guaranteed by means of:
  - (i) Signed service level agreement;
  - (ii) Contract or written confirmation; and/or
  - (iii) Any other legally binding document.



All above documentation must be accompanied by a Council Resolution

- (c) Public donations, contributions and other grants are provided for on the relevant department's operating budget to the extent the conditions will be met during the financial year.
- (d) The borrowing requirements, to be used as a basis to determine the affordability of external loans over the Medium Term Income and Expenditure Framework. The ratios to be considered to take up additional borrowings:
  - (i) Long-term credit rating of BBB;
  - (ii) Interest cost to total expenditure to not exceed 5%;
  - (iii) Long-term debt to revenue (excluding grants) not to exceed 30%;
- (e) Allocations to capital projects from cash backed internal reserves will be based on the available funding for each ring-fenced reserve according to the conditions of each reserve as follows:
  - (i) Infrastructure projects to service new developments and the revenue is received through the sale of stands/land/site must be allocated to the capital reserve for services;
  - (ii) Capital projects of a smaller nature such as office equipment, furniture, plant and equipment etc. must be allocated to the capital reserve from revenue which is funding from the revenue budget for that specific year. A general principle is that these types of capital expenditure should not exceed more than 1% of total operating expenditure;
  - (iii) Capital projects to replace and/or upgrade existing assets will be allocated to the capital replacement reserve;
  - (iv) Capital projects to upgrade bulk services will be allocated to the capital bulk contributions reserve for each service.

9.4 All capital projects have an effect on future operating budget therefore the following cost factors should be considered before approval:

- (a) Additional personnel cost to staff new facilities once operational;
- (b) Additional contracted services, that is, security, cleaning etc.
- (c) Additional general expenditure, that is, services cost, stationery, telephones, material etc.

- (d) Additional other capital requirements to the operate facility, that is, vehicles, plant and equipment, furniture and office equipment etc.
- (e) Additional costs to maintain the assets;
- (f) Additional interest and redemption in the case of borrowings;
- (g) Additional depreciation charges;
- (h) Additional revenue generation. The impact of expenditure items must be offset by additional revenue generated to determine the real impact on tariffs.

## 10. RESERVES

- 10.1 All reserves are "ring fenced" as internal reserves within the accumulated surplus, except for provisions as allowed by the General Recognized Accounting Practices (GRAP).

## 11. PROVISIONS AND LIABILITIES

A provision is recognised when the municipality has a present obligation as a result of a past event and it is probable, more likely than not, that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are revised annually and those estimates to be settled within the next twelve (12) months are treated as current liabilities. Those that are expected to be settled over a greater period than twelve (12) months are dealt with hereunder. Liabilities are economic outflows which are as a result of past events. These are either constructive or legal obligations, for which the timing and amount is certain. Those that are expected to be settled within 12 months is deemed current liabilities whilst those expected to be settled greater than 12 months is deemed non-current and 1 more fully dealt with hereunder.

The municipality has the following main provisions and liabilities:

### (a) Leave provision

Liabilities for annual leave are recognised as they accrue to employees.

An annual provision is made from the operating budget to the leave provision. Due

to the fact that not all leave balances are redeemed for cash, only 75% of the leave provision will be strived to be cash backed.

(b) *Landfill rehabilitation provision*

The landfill site rehabilitation provision is created for the current operational site at the future estimated time of closure. The value of the provision is based on the expected future cost to rehabilitate the landfill site. This provision must be fully cash backed to ensure availability of cash for rehabilitation on closure.

(c) *Long services awards and retirement gifts*

Municipal employees are awarded leave days or cash according to years in service at year end. Due to the fact that not all long service leave balances are redeemed for cash, the municipality shall strive to ensure only 75% of the non-current portion of the long service leave provision is cash backed.

(d) *Post employment medical care benefits*

The municipality provides post-retirement medical care benefits by subsidizing the medical aid contributions to retired employees and their legitimate spouses. The expected cost of these benefits is accrued over a period of employment. The municipality must strive to ensure the provision is cash backed to 75% ensure the availability of cash for the payment of medical aid payments

(e) *Non-current lease liabilities and annuity loans*

The non-current portion is not required to be cash backed unless:

- there is significant uncertainty that the municipality will not be in a position to meet the terms and conditions as stipulated in the agreement, and
- the agreement contains conditions that require the municipality to pay back the full amount should there be an uncertified breach of the terms and conditions, and
- it is probable that these will be enforced by the lending institution.

**12. OTHER ITEMS TO BE CASH BACKED**

- 12.1 Donations, public contributions, unspent grant funding**
- Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Unspent amounts in relation to donations, public contributions and unspent grant funding are therefore retained in cash and are not available to fund any other items on the operating or capital budget other than that for which it was intended for. These items must be 100% cash backed.

**12.2 Consumer deposits**

Consumer deposits are partial security for a future payment of an account. Deposits are considered a liability as the deposit is utilised on the account once the service is terminated. Therefore the funds are owed to consumers and can therefore not be utilised to fund the operating or capital budget. These items must be 100 % cash backed.

**12.3 Developers Contributions:**

The municipality has entered into service level agreements with property developers to reimburse them for the cost of bulk electricity. The reimbursements are dependent on the developers meeting future targets as set out in the service level agreements. The reimbursements are set out in the developers contribution register must be cash backed to 100% of the amount recognized as a liability for re-payment and at least 30% of the liability recognised as deferred liability.

**12.4 Other Current Liabilities**

Current Liabilities are liabilities which are expected to be settled within the next 12 months. These include but are not limited to current portion of non-current liabilities and trade payables As such 100% of this category should be cash backed.

**13. ADHERENCE TO POLICY**

Kwadukuza Municipality is a developmental municipality and as such shall strive to meet the above funding requirements over the medium term (3-5 years). This shall be undertaken via the budget process annually and either realistically increasing revenues or decreasing capital and operating expenditure.

**14. REVIEW**

This policy will be reviewed annually to ensure that it complies with changes in applicable legislation and regulation.

**15. POLICY ADOPTION**

This policy has been considered and approved by the **COUNCIL OF KWADUKUZA LOCAL MUNICIPALITY** as follows:

Resolution No:.....

Approval Date:.....

# KwaDukuza Local Municipality ASSET MANAGEMENT POLICY



## TABLE OF CONTENTS

	Page
1 PREAMBLE.....	4
2 DEFINITIONS.....	5
3 OBJECTIVE.....	8
4 POLICY FRAMEWORK.....	11
5 ASSET RECOGNITION.....	12
5.1 CLASSIFICATION OF ASSETS.....	12
5.2 IDENTIFICATION OF ASSETS.....	13
5.3 ASSET REGISTER.....	14
6 RECOGNITION OF ASSETS: INITIAL RECOGNITION.....	14
7 SUBSEQUENT MEASUREMENT OF ASSETS.....	206
8 RECOGNITION OF INVENTORY ASSETS (NON CAPITAL ITEMS).....	207
9 ASSET TYPES.....	20
9.1 PROPERTY, PLANT AND EQUIPMENT: LAND AND BUILDINGS.....	20
9.2 PROPERTY, PLANT AND EQUIPMENT: INFRASTRUCTURE ASSETS.....	21
9.3 PROPERTY, PLANT AND EQUIPMENT: HOUSING ASSETS.....	23
9.4 PROPERTY, PLANT AND EQUIPMENT: OTHER ASSETS.....	25
9.5 HERITAGE ASSETS.....	24
9.6 INTANGIBLE ASSETS.....	25
9.7 INVESTMENT PROPERTY.....	26
9.8 BIOLOGICAL ASSETS.....	27
9.9 DISCONTINUED OPERATIONS (GRAP 100).....	28
9.10 INVENTORY PROPERTY (GRAP 12).....	28
9.11 MINOR ASSETS (ASSETS BELOW APPROVED THRESHOLD).....	29
10 ASSET ACQUISITION.....	30
10.1 ACQUISITION OF ASSETS.....	30
10.2 CREATION OF NEW INFRASTRUCTURE ASSETS.....	30
10.3 SELF-CONSTRUCTED ASSETS.....	31
10.4 DONATED ASSETS.....	32
11 ASSET MAINTENANCE.....	33
11.1 USEFUL LIFE OF ASSETS.....	33
11.2 RESIDUAL VALUE OF ASSETS.....	34
11.3 DEPRECIATION OF ASSETS.....	34
11.4 IMPAIRMENT LOSSES.....	38
11.5 MAINTENANCE OF ASSETS AND THE ASSET REGISTER.....	37
11.6 RENEWAL OF ASSETS.....	38
11.7 REPLACEMENT OF ASSETS.....	38
12 ASSET DISPOSAL.....	40
12.1 TRANSFER OF ASSETS.....	40
12.2 EXCHANGE OF ASSETS.....	41
12.3 ALIENATION / DISPOSAL OF ASSETS.....	41
12.4 SELLING OF ASSETS.....	45
12.5 WRITING-OFF OF ASSETS.....	46

13	ASSET PHYSICAL CONTROL.....	48
13.1	PHYSICAL CONTROL / VERIFICATION.....	48
13.2	INSURANCE OF ASSETS.....	49
13.3	SAFEGUARDING OF ASSETS.....	50
14	ASSET FINANCIAL CONTROL.....	51
14.1	BORROWING COSTS (GRAP 5).....	49
14.2	FUNDING SOURCES.....	49

## ANNEXURE A ABBREVIATIONS.....54

## ANNEXURE B ASSET HIERARCHY.....53



## **1. PREAMBLE**

Whereas section 14 of the Local Government: Municipal Finance Management Act, 2003 (Act no. 56 of 2003) determines that a municipal council may not dispose of assets required to provide minimum services, and whereas the Municipal Asset Transfer Regulations (Government Gazette 31346 dated 22 August 2008) has been issued,

And whereas the municipal council of KwaDukuza Local Municipality wishes to adopt a policy to guide the municipal manager in the management of the municipality's assets,

And whereas the municipal manager as custodian of municipal funds and assets is responsible for the implementation of the asset management policy which regulates the acquisition, safeguarding and maintenance of all assets,

And whereas these assets must be protected over their useful life and may be used in the production or supply of goods and services or for administrative purposes,

And whereas the Municipal Manager must ensure an effective Asset Management Committee that will give guidance regarding the execution of the asset management policies and procedures is in operation,

Now therefore the municipal council of the KwaDukuza Local Municipality adopts the following asset management policy:

## 2. DEFINITIONS

**Accounting Officer** means the Municipal Manager appointed in terms of Section 82 of the Local Government: Municipal Structures Act, 1998 (Act no. 117 of 1998) and being the head of administration and accounting officer in terms of section 55 of the Local Government: Municipal Systems Act 2000 (Act no. 32 of 2000).

**Agricultural Produce** is the harvested product of the municipality's biological assets.

**Biological Assets** are defined as living animals or plants.

**Assets** are items of Biological Assets, Intangible Assets, Investment Property, Heritage Assets or Property, Plant or Equipment defined in this Policy.

**Carrying Amount** is the amount at which an asset is recognised after deducting any accumulated depreciation (or amortisation) and accumulated impairment losses thereon.

**Chief Financial Officer (CFO)** means an officer of a municipality designated by the Municipal Manager to be administratively in charge of the budgetary and treasury functions.

**Cost** is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction, or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

**Critical Assets** are assets identified as having a high risk profile in terms of occupational health and safety standards and the consequence of failure could result in service delivery needs not being met and human health and safety as well as the environment being negatively affected.

**Depreciable Amount** is the cost of an asset, or other amount substituted for cost in the financial statements, less its residual value.

**Depreciation** is the systematic allocation of the depreciable amount of an asset over its useful life.

**Fair Value** is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

**GRAP** are standards of Generally Recognised Accounting Practice.

**Heritage Assets** are defined as culturally significant resources. Examples are works of art, historical buildings and statues.

**Infrastructure Assets** are defined as any asset that is part of a network of similar assets. Examples are roads, water reticulation schemes, sewerage purification and trunk mains, transport terminals and car parks.

**Intangible Assets** are defined as identifiable non-monetary assets without physical substance.

**Investment Properties** are defined as properties (land or buildings) that are acquired for economic and capital gains. Examples are office parks and undeveloped land acquired for the purpose of resale in future years.

**Land and Buildings** are defined as a class of PPE when the land and buildings are held for purposes such as administration and provision of services. Land and Buildings therefore exclude investment properties and Land Inventories.

**MFMA** refers to the Local Government: Municipal Finance Management Act (Act no. 56 of 2003).

**Other Assets** are defined as assets utilised in normal operations. Examples are plant and equipment, motor vehicles and furniture and fittings.

**Property, Plant and Equipment (PPE)** are tangible assets that:-

- Are held by a municipality for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and
- Are expected to be used during more than one reporting period.

**Recoverable Amount** is the higher of a cash-generating asset's net selling price and its value in use.

**Recoverable Service Amount** is the higher of a non-cash generating asset's fair value less cost to sell and its value in use.

**Residual Value** of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

**Useful Life is:-**

- The period of time over which an asset is expected to be used by the municipality; or
- The number of production or similar units expected to be obtained from the asset by the municipality's accounting officer.

### 3. OBJECTIVE

The MFMA was introduced with the objective of improving accounting in the municipal sector in keeping with global trends. Good asset management is critical to any business environment whether in the private or public sector. In the past municipalities used a cash-based system to account for assets, whilst the trend has been to move to an accrual system.

With the cash system, assets were written off in the year of disposal or, in cases where infrastructure assets were financed from advances or loans, they were written off when the loans were fully redeemed. No costs were attached to subsequent periods in which these assets would be used.

With an accrual system the assets are incorporated into the books of accounts and systematically written off over their anticipated useful lives. This necessitates that a record is kept of the cost of the assets, the assets are verified and the condition assessed periodically, and the assets can be traced to their suppliers via invoices or other such related delivery documents. This ensures good financial discipline, and allows decision makers greater control over the management of assets. An Asset Management Policy should promote efficient and effective monitoring and control of assets.

According to section 63 (1) (a) of the MFMA, the Accounting Officer in the Municipality should ensure:

- that the municipality has and maintains an effective and efficient and transparent system of financial and risk management and internal control;
- the effective, efficient and economical use of the resources of the municipality;
- the management (including safeguarding and maintenance) of the assets of the municipality;
- that the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality;
- that the municipality's assets and liabilities are valued in accordance with standards of generally recognised accounting practice; and

- Ensuring that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed.
- The objective of this Asset Management Policy is to ensure that the municipality:
  - has consistent application of asset management principles;
  - implements accrual accounting;
  - complies with the MFMA, Treasury Regulations, GRAP and other related legislation;
  - safeguards and controls the assets of the municipality; and
  - optimises asset usage.

#### ASSET MANAGEMENT COMMITTEE

To facilitate and assist the Chief Financial Officer in his/her functions, the Municipal Manager, hereby, delegates the custody of and responsibility for assets to the various Executive Directors as defined in the organisational structure of the KwaDukuzi Local Municipality. Executive Directors will identify officials on an appropriate level (Asset Controllers) to assist them with the application of the policy and procedures proclaimed from time to time. The Asset Management Committee as established in terms of section 1, must be informed in writing of the appointment of such Asset Controllers.

The responsibilities for asset management as detailed hereunder include and remain until the asset is disposed of or transferred to another entity.

- Ensuring that, when acquiring assets, decisions on how to account for the transactions, e.g. whether they should be capitalised or expensed, are made in full compliance with the MFMA, accounting standards, National Treasury and other guidelines;
- Ensuring that the purchase of assets complies with all municipal policies and procedures, including the MTRER;
- Ensuring that the correct date on which an asset is put into service or commissioned is properly recorded in the Asset Register and that the appropriate financial data are recorded;
- Ensuring that all assets are duly processed, identified and recorded before issued for use;
- Ensuring that all assets under the Executive Director's control are

appropriately safeguarded from inappropriate use or loss, including appropriate control over the physical access to these assets and regular asset verification to ensure losses have not occurred, and ensuring that any known losses are immediately reported to the Chief Financial Officer and loss control officer;

- Ensuring that proper procedures for the movement of assets from one asset holder to another, for maintenance, or disposals outside the municipality are in place and enforced;
- Ensuring assets are utilised for the purpose for which they were acquired by the municipality.
- Ensuring that all assets having a high risk profile in terms of occupational health and safety standards and the consequence of failure could result in service delivery needs not being met and human health and safety as well as the environment being negatively affected.

#### 4 POLICY FRAMEWORK

The main challenges associated with managing assets can be characterised as follows:

- Moveable assets – controlling acquisition, location, use, and disposal (over a relatively short term lifespan)
- Immovable assets – life-cycle management (over a relatively long-term lifespan).

The policy approach has been to firstly focus on the financial treatment of assets, which needs to be consistent across both the moveable and immovable assets, and secondly to focus on the management of immovable assets as a fundamental departure point for service delivery. This arrangement is summarised in Figure 1.

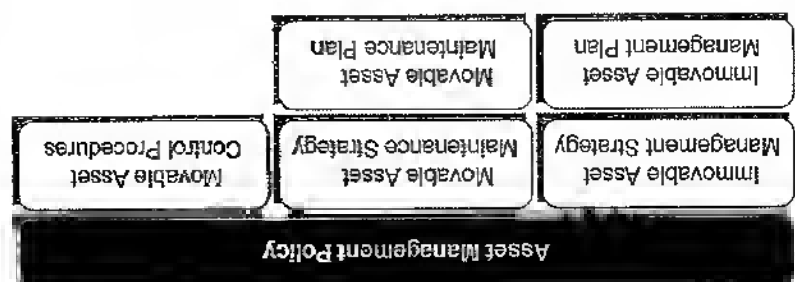


Figure 1: Proposed policy and strategic framework



## 5. Asset Recognition

### 5.1 Classification of Assets

#### General

When accounting for assets, the municipality should follow the various standards of GRAP relating to the assets. An item is recognised in the statement of financial position as an asset if it satisfies the definition and the criteria for recognition of assets. The first step in the recognition process is to establish whether the item meets the definition of an asset. Secondly, the nature of the asset should be determined, and thereafter the recognition criterion is applied. Assets are classified into the following categories for financial reporting purposes:

1. Property, Plant and Equipment (GRAP 17)
  - Land and Buildings (land and buildings not held as investment)
  - Infrastructure Assets (immovable assets that are used to provide basic services)
  - Housing Assets (rental stock or housing stock not held for capital gain)
  - Other Assets (ordinary operational resources)
2. Intangible Assets (GRAP 31)
  - Intangible Assets (assets without physical substance held for ordinary operational resources)
3. Heritage Assets (GRAP 103)
  - Heritage Assets (culturally significant resources)
4. Investment Property (GRAP 16)
  - Investment Assets (resources held for capital or operational gain)
5. Biological Assets (GRAP 27)
  - Biological Assets (livestock and plants held)

When accounting for Current Assets (that is of capital nature), the municipality should follow the various standards of GRAP relating to these assets. Current Assets (with a capital nature) are classified into the following categories for financial reporting purposes:

6. Discontinued Operations (GRAP 100)
  - Assets Held-for-Sale (assets identified to be sold in the next 12 months and that is not reclassified as inventory)
7. Land Inventories (GRAP 12)

- Land inventories (land or buildings owned or acquired with the intention of selling such property in the ordinary course of business)

Further asset classification has been defined in GRAP. The classifications used for infrastructure are limited and do not represent all asset types. However, these classifications are used for financial reporting consistency and should be used.

To facilitate the practical management of infrastructure assets and Asset Register data, infrastructure assets have been further classified. The recommended classifications for all assets are provided in *Appendix B*.

#### *Policy*

The asset classification specified by GRAP shall be adhered to as a minimum standard. The extended asset classification specified in *Appendix B* shall be adopted.

#### *Procedures and Rules*

- The Asset Management Committee shall ensure that the classifications specified by National Treasury, GRAP, and those adopted by the municipality are adhered to.
- The Asset Management Committee shall inform Executive Directors of the classification requirements.
- Executive Directors shall ensure that all fixed assets under their control are classified correctly.

### 5.2 Identification of Assets

#### *General*

An asset identification system is a means to uniquely identify each asset in the municipality in order to ensure that each asset can be accounted for on an individual basis. Movable assets are usually identified using a barcode system by attaching a barcode to each item. Immovable assets are usually identified by means of an accurate description of their physical location.

#### *Policy*

An asset identification system shall be operated and applied in conjunction with an Asset Register. As far as practicable, every individual asset shall have a unique identification number.

#### *Procedures and Rules*

- The Asset Management Committee shall develop and implement an asset identification system, while acting in consultation with Executive Directors.
- Executive Directors shall ensure that all the assets under their control are correctly identified.

- As far as practicable, all movable assets must be bar-coded or uniquely marked.
- Immovable assets must be identified using naming and numbering conventions that enable easy location of the assets in the field.
- GPS coordinates must be captured on the Asset Register for Infrastructure assets and buildings where practicable. The Head: Information Technology will update the GIS and ensure that the GPS coordinates on the Asset Register and the GIS are reconciled at least once per year after the annual physical asset verification.

Commented [LN1]: Replace with GIS Officer

### 5.3 Asset Register

#### General

An Asset Register is a database of information related to all the assets under the control of the municipality. The Asset Register consists of an inventory of all the assets, with each asset having a unique identifying number. Data related to each asset should be able to be stored in the Asset Register. The data requirements for the Asset Register are as follows:

Data type	Land	Movable	Infrastructure/ Buildings
<b>Identification</b>			
• Unique identification number or asset mark	✓	✓	✓
• Unique name	✓	✓	✓
• National Treasury Classification	✓	✓	✓
• Internal Classification	✓	✓	✓
• Descriptive data (make, model, etc.)	✓	✓	✓
• Erf/Registration	✓	✓	✓
• Title deed reference	✓		
<b>Accountability</b>			
• Business Unit	✓	✓	✓
• Insurance reference		✓	✓
<b>Performance</b>			
• Age		✓	✓
• Condition		✓	✓
• Remaining Useful life		✓	✓
• Expected Useful Life		✓	✓
• Technical Asset Residual Value			✓
<b>Accounting</b>			
• Historic cost	✓	✓	✓
• Take on value	✓	✓	✓

- The CFO must define the format of the Asset Register in consultation with the Executive Directors and must ensure that the Asset Register format complies with legislative requirements.
- The Asset Management Committee must ensure that a defined process and forms exist to update and maintain the Asset Register.
- The Executive Directors must provide the CFO with the information required to compile and maintain the Asset Register.

#### Procedures and Rules

An Asset Register shall be maintained for all assets. In some cases, such as Investment Properties and Intangible Assets, separate Asset Registers will have to be maintained. The format of the register shall include the data needed to comply with the applicable accounting standards and data needed for the technical management of the assets. The Asset Register should be continuously updated and asset records should be reconciled to the general ledger on an annual basis.

#### Policy

Assets remain in the Asset Register for as long as they are in physical existence or until being written off. The fact that an asset has been fully depreciated is not in itself a reason for writing-off such an asset.

Data type	Land	Movable	Infrastructure/ Buildings
• Take on date	✓	✓	✓
• Revalued amount	✓	✓	✓
• Valuation Difference (for purposes of Valuation Reserve and depreciation)	✓	✓	✓
• Depreciation method		✓	✓
• Depreciation portion that should be transferred from Revaluation reserve to accumulated depreciation (where assets were revalued)		✓	✓
• Depreciation charge for the current financial year		✓	✓
• Depreciation charge for ensuing year (for purposes on current portion)		✓	✓
• Impairment losses in the current year	✓	✓	✓
• Accumulated depreciation		✓	✓
• Carrying value	✓	✓	✓
• Residual value	✓	✓	✓
• Source of financing	✓	✓	✓

## 6. RECOGNITION OF ASSETS: INITIAL MEASUREMENT

### General

An asset should be recognised as an asset in the financial and asset records when:

- It is probable that future economic benefits or potential service delivery associated with the item will flow to the municipality;
- The cost or fair value of the item to the municipality can be measured reliably;
- The item is expected to be used during more than one financial year.
- The asset has been identified as a critical asset.

Spare parts and servicing equipment are usually carried as inventory in terms of the Standard of GRAP on *Inventories* and recognised in surplus or deficit as consumed. However, major spare parts and stand-by equipment qualify as property, plant and equipment when the municipality expects to use them during more than one reporting period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Further guidance for the recognition of assets is provided below:

### Capitalisation Threshold

The capitalisation threshold is a policy decision of the municipality and is the value above which assets are capitalised and reported in the financial statements as tangible or intangible assets as opposed to being expensed in the year of acquisition. As a result, the threshold has a significant impact on the size of the Asset Register and the complexity of asset management. However the capitalisation threshold is regarded as a deviation from GRAP standards and should therefore be determined annually against the municipality's materiality framework and must be determined at a level that will ensure that the municipality does not deviate materially from the requirements of GRAP 17.

The capitalisation threshold should not be applied to the components of an asset, but should be applied to the value of the asset as a whole. If the threshold is applied at component level, the Asset Register would be incomplete in the sense that an asset recorded as such would not be a complete asset.

The municipality should take the following into account when considering a capitalisation threshold:

- The impact of the threshold on the financial statements and the decisions/assessments the users of the financial statement may or may not make;
- The cost of maintaining financial and management information on assets when the threshold is very low;
- The impact on comparability and benchmarking cost of services may be difficult if different capitalisation thresholds are applied;

Only expenses incurred on the enhancement of an asset (in the form of improved or increased services or benefits flowing from the use of such asset), or in the material extension of the useful operating life of an asset shall be capitalised. Expenses incurred in the maintenance or reinstatement of an asset that ensures that the useful operating life of the asset is attained, shall be considered as

#### Subsequent Expenses

When payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognised as an interest expense over the period of credit.

- Only costs that comprise the purchase price and any directly attributable costs necessary for bringing the asset to its working condition should be capitalised. The purchase price exclusive of VAT should be capitalised, unless the municipality is not allowed to claim input VAT paid on purchase of such assets. In such an instance, the municipality should capitalise the cost of the asset together with VAT. Any trade discounts and rebates are deducted in arriving at the purchase price. Listed hereunder is a list, which list is not exhaustive, of directly attributable costs:
- Costs of employee benefits (as defined in the applicable standard on Employee Benefits) arising directly from the construction or acquisition of the item of the Asset
- The cost of site preparation;
- Initial delivery and handling costs;
- Installation costs;
- Professional fees such as for architects and engineers;
- The estimated cost of dismantling and removing the asset and restoring the site; and
- Interest costs when incurred on a qualifying asset in terms of GRAP 5.

#### Calculation of Initial cost price

Executive Directors shall, however, ensure that any movable asset item with a value lower than the capitalisation threshold and with an estimated useful life of more than one year shall be recorded on a *Minor Assets Inventory Listing*. Every Executive Directors shall moreover ensure that the existence of items recorded on such inventory stock lists are physically verified from time to time, and at least once in every financial year, and any amendments which are made to such inventory stock lists pursuant to such stock verifications shall be retained for audit purposes. Executive Directors shall also ensure that any asset under their control identified as critical other than those categories of assets already identified as such on Appendix B, are included in the Asset Register by reporting these assets to the Asset Management Committee.

- The size of the municipality or the size of its service areas when setting capitalisation thresholds levels. Municipalities vary greatly in size, so what is relevant to one may be immaterial to another.
- The criticality of the asset.

operating expenses and shall not be capitalised, irrespective of the quantum of the expenses concerned.

#### Leased Assets

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time. Leases are categorised into finance and operating leases:

- A Finance Lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset, even though the title may or may not eventually be transferred. Where the risks and rewards of ownership of an asset are substantially transferred, the lease is regarded as a finance lease and is recognised as an asset.
- Where there is no substantial transfer of risks and rewards of ownership, the lease is considered an Operating Lease and payments are expensed in the income statement on a systematic basis.

#### Policy

All assets shall be correctly recognised as assets and capitalised at the correct value. The capitalisation threshold will be determined annually by the municipality. All assets with values less than the capitalisation threshold and with values greater than R300 shall be recorded in a minor assets inventory unless such assets have been identified as being critical in which case the asset will be recorded in the Asset Register.

#### Procedures and Rules

- Executive Directors shall ensure that all leased assets under their control are correctly accounted for and recognised as assets.
- The CFO must keep a lease register with all the information that is necessary for reporting purposes, for example, opening balance, acquisitions, disposals, transfers, depreciation, accumulated depreciation, etc.
- Executive Directors shall keep a timesheet system for internal staff to capture professional time spent on infrastructure projects. The time shall be priced at recognised professional fee scales and should be included in the capitalisation cost of the asset.

## **7. SUBSEQUENT MEASUREMENT OF ASSETS**

#### General

After initial recognition of Property, Plant and Equipment, the municipality values its assets using the cost model, unless a specific decision has been taken to revalue a certain class of assets and in such instance the PPE will be valued using the revaluation model.

When an item of PPE is revalued, the entire class of property to which that asset belongs, should be revalued.

When an asset's carrying amount is increased as a result of the revaluation, the increase should be credited to the revaluation surplus. However, the increase shall be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

When an asset's carrying amount is decreased as a result of devaluation, the decrease should be recognised as an expense in the annual financial statements. However, the decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

#### Procedures and Rules

- The CFO shall ensure that all Property, Plant and Equipment are correctly recorded in the Asset Register and revaluated (if applicable) in terms of the municipality's policies.

### **8. RECOGNITION OF INVENTORY ITEMS (NON CAPITAL ITEMS)**

#### General

Inventories encompass finished goods purchased or produced, or work in progress being produced by the municipality. They also include materials and supplies awaiting use in the production process and goods purchased or produced by the municipality, which are for distribution to other parties for no charge or for a nominal charge. GRAP 12.7 defines inventories as assets:

- in the form of materials or supplies to be consumed in the production process;
- in the form of materials or supplies to be consumed or distributed in the rendering of services;
- Held for sale or distribution in the ordinary course of operations; or
- in the process of production for sale or distribution.

Examples of Inventories may include the following:

- Ammunition;
- Consumable stores;
- Maintenance materials;
- Spare parts for plant and equipment other than those dealt with under PPE;
- Strategic stockpiles (Energy reserves, Water reserves);
- Work in progress; and
- Land / Property held for sale.

Cost of Inventories shall comprise of all costs of purchase (i.e. purchase price, import duties, other taxes and transport, handling and other costs attributable to the acquisition of finished goods, materials and supplies), costs of development, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Trade discounts, rebates and other similarities are deducted. Taxes recoverable by the entity from the SARS may not be included.



Costs of development for housing or similar developments which are acquired or developed for resale will include costs directly related to the development – e.g. purchase price of land acquired for such developments, surveying, conveyance costs and the provision of certain infrastructure. Infrastructure costs relating to extending the capacity of existing infrastructure are excluded. The costs of inventories of a service provider consisting of direct labour and other costs of personnel directly engaged in providing the service and other attributable overheads are included.

#### Policy

Assets acquired or owned by the municipality for the purpose of selling or developing such assets with the intention to sell it or utilising the asset in the production process or in the rendering of services, shall be accounted for in the municipality's financial statements as inventory items and not as property, plant and equipment. The inventory register is maintained by the Supply Chain Management Unit.

#### Procedures and Rules

- The CFO must record inventories in a dedicated section of the Inventory Register and maintain it for this purpose. The amount of cost of inventories is to be recognised and carried forward until related revenues are recognised.
- Inventories shall be measured at the lower of cost and current replacement cost where they are held for:
  - 1 Distribution at no charge or for nominal charge, or
  - 2 Consumption in the production process of goods to be distributed at no charge or for a nominal charge.
- In cases where the above does not apply, inventories shall be measured at lower of cost and net realisable value.

## **9. Asset Types**

### **9.1 Property, Plant and Equipment: LAND AND BUILDINGS**

#### General

*Land and Buildings* comprise any land and buildings held (by the owner or by the lessee under a finance lease) by the municipality to be used in the production or supply of goods or for administrative purposes and/or to provide services to the community. These assets include building assets such as offices, staff housing, aquariums, cemeteries, clinics, hospitals, game reserves, museums, parks and also include recreational assets such as tennis courts, swimming pools, golf courses, outdoor sports facilities, etc.

For the technical management of infrastructure, the most effective level of management is at the maintenance item level. It is at this level that work orders can be executed and data collected. This data is useful for maintenance analysis to improve infrastructure management decision making. This level in most cases coincides with the level that means the accounting criteria of different effective lives and materiality. However, the collection of data at this level of detail can be very

#### Level of detail of categorisation

Infrastructure Assets comprise assets used for the delivery of infrastructure-based services. These assets typically include electricity, sanitation, solid waste, storm water, transport, and water assets. Many infrastructure assets form part of a greater facility e.g. a transformer in a sub-station.

#### General

### 9.2 Property, Plant and Equipment: INFRASTRUCTURE ASSETS

- The CFO shall ensure that all land and buildings are correctly recorded in the Asset Register. The Asset Management Committee shall ensure that land and buildings are revalued (if applicable) in terms of the municipality's policies.
- The CFO shall ensure the recognition, measurement and revaluation of Land and Buildings in terms of GRAP 17.

#### Procedures and Rules

- LAND
    - Developed Land
    - Undeveloped Land
  - BUILDINGS
    - Dwellings
    - Non-residential Structures
- Land and Buildings shall be recorded under the following categories;

Land and buildings shall be treated using the cost less depreciation model. Land shall initially be accounted for at cost price, or fair value in cases where cost price is not known, and shall not be depreciated. Land on which infrastructure and/or buildings are located shall be listed separately in the land register and not with the infrastructure or building assets. A reference to the land shall however be included in the infrastructure and/or building Asset Register.

#### Policy

Land held for a currently undetermined future use, should not be included in PPE; Land and Buildings, but should be included in Investment Properties. For this class of Land and Buildings there is no intention of developing or selling the property in the normal course of business. This land and buildings include infrastructure reserves.

costly when dealing with assets that are very numerous in nature e.g. water meters, street signs, household connections, etc. It is therefore prudent to balance the value of the information with the cost of collecting the data. The different levels of detail are shown below:

- **Level 1:** Service level (e.g. KwaDukuza LM Electricity Network)
- **Level 2:** Network level (e.g. HV Transmission Network (>22kV))
- **Level 3:** Facility level (e.g. Laviopierre HV Sub Station)
- **Level 4:** Maintenance item level (e.g. HV Current Transformer)
- **Level 5:** Component level (e.g. OCB of HV CT)

The preferred level of detail for the accounting and technical management of infrastructure is level 4 above.

The compilation of a detailed infrastructure Asset Register in one financial term is a costly and onerous exercise. To ensure the practicality of implementing Asset Registers (and asset management planning as a whole), the International Infrastructure Management Manual (IIMM) recommends the adoption of a continuous improvement process as a practical implementation approach. This approach recognises the value of limited data above no data and enables the municipalities to slowly, but steadily, increase their knowledge in the assets they own. The improvement principles of the IIMM recommend starting with complete coverage of the Infrastructure types at a low level of detail (e.g. level 2 or 3) and then improving the level of detail over a period of several years, starting with the high risk assets, such as pump stations, treatment works, etc.

#### Policy

The Infrastructure Asset Register shall ensure complete representation of all Infrastructure asset types. The level of detail of componentisation shall be defined to a level that balances the cost of collecting and maintaining the data with the benefits of minimising the risks of the municipality. An improvement plan stipulating the level of detail and the timing of improvements shall be prepared. Infrastructure assets should be valued at cost less accumulated depreciation and accumulated impairment. If cost can however not be established, then infrastructure assets will be valued at depreciated replacement cost. Depreciated replacement cost is an accepted fair value calculation for assets where there is no active and liquid market. Depreciation shall be charged against such assets over their expected useful lives. The remaining useful life and residual value of, and the depreciation methods applied to Infrastructure assets should be reviewed annually, but the cost related to such reviews should be measured against benefits derived to ensure value for money. Such reviews will have to be performed at least once in a three year cycle.

Infrastructure assets having a high risk profile in terms of occupational health and safety standards and the consequence of failure could result in service delivery needs not being met and human health and safety as well as the environment being negatively affected must be rated as critical in the Asset Register. Assets identified as critical in terms of the aforementioned are identified in *Annexure B*.

*Infrastructure Assets* shall be recorded under the following main categories;

- The Asset Management Committee, in consultation with Executive Directors, shall ensure that all housing assets are appropriately recorded and valued in terms of the municipality's policies.

#### Procedures and Rules

- Selling Schemes;
  - Rental Schemes; and
- Housing Assets shall be recorded under the following main categories;

Housing assets are valued at cost less accumulated depreciation and accumulated impairment losses. Depreciation shall be charged against such assets over their expected useful lives.

#### Policy

Housing Assets have their origin from housing units erected in terms of the Housing Act, funded from loans granted by Government and comprise of rental stock or selling stock not held for capital gain.

#### General

9.3	Property, Plant and Equipment: HOUSING
-----	--

- The Asset Management Committee shall define the level of detail of the Infrastructure Asset Register in consultation with the Executive Directors.
- The Asset Management Committee shall approve an improvement process that defines the target level of detail for each Infrastructure asset type with the target year of implementation in consultation with the Executive Directors.
- The Asset Management Committee shall ensure the recognition and measurement of Infrastructure Assets in terms of GRAP 17.
- Although a category of assets may not be regarded as critical as a whole, individual assets may fulfil in the definition of criticality and Executive Directors must inform the Asset Management Committee of such assets or any changes in the criticality of an asset category of assets and the Asset Registers must be updated accordingly.

#### Procedures and Rules

- Electricity Network;
- Roads Network;
- Solid Waste Disposal;
- Storm Water Network

#### 9.4 Property, Plant and Equipment: OTHER ASSETS

##### General

*Other Assets* include a variety of assets that are of indirect benefit to the communities they serve. These assets include office equipment, furniture and fittings, bins and containers, emergency equipment, motor vehicles, plant and equipment.

##### Policy

Other assets are valued at cost less accumulated depreciation and accumulated impairment losses. Depreciation shall be charged against such assets over their expected useful lives. Other assets are not revalued.

Other assets having a high risk profile in terms of occupational health and safety standards and the consequence of failure could result in service delivery needs not being met and human health and safety as well as the environment being negatively affected must be rated as critical in the Asset Register. Assets identified as critical in terms of the aforementioned are identified in *Annexure B*.

*Other Assets* shall be recorded under the following main categories;

- Aircraft;
- Bins and Containers;
- Emergency Equipment;
- Furniture and Fittings;
- Motor Vehicles;
- Office Equipment;
- Plant and Equipment;
- Specialised Vehicles;
- Watercraft; and
- Other Assets.

##### Procedures and Rules

- The Asset Management Committee, in consultation with Executive Directors, shall ensure that all other assets are appropriately recorded in terms of the municipality's policies.
- Although a category of assets may not be regarded as critical as a whole, individual assets may fulfil in the definition of criticality and Executive Directors must inform the Asset Management Committee of such assets or any changes in the criticality of an asset/category of assets and the Asset Registers must be updated accordingly.

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Such assets are amortised over the best estimate of the useful life of the intangible asset. If an intangible asset is generated internally by the municipality, then a distinction should be made between research and development costs. Research costs should be expensed and development costs may be capitalised if all the criteria set out in GRAP 31 has been met.

#### Policy

Intangible Assets can be purchased, or can be internally developed, by the municipality and includes, but are not limited to, computer software, website development cost and mining rights.

#### General

9.6	Intangible Assets
-----	-------------------

- For reporting purposes, the existence of such heritage assets shall be disclosed by means of an appropriate note in the Asset Register.
- The Asset Management Committee, in consultation with Executive Directors, shall ensure that all heritage assets are appropriately recorded and valued in terms of the municipality's policies.

#### Procedures and Rules

Heritage assets are valued at cost less accumulated depreciation and accumulated impairment losses. No depreciation shall be charged against such assets. If the cost price of heritage assets are not known, then the heritage asset will be valued at fair value.

#### Policy

- Archaeological sites;
  - Conservation areas;
  - Historical buildings or other historical structures (such as war memorials);
  - Historical sites (for example, historical battle site or site of a historical settlement);
  - Museum exhibits;
  - Public statues; and
  - Works of art (which will include paintings and sculptures).
- A Heritage Asset is an asset that has historical, cultural or national importance and needs to be preserved. The following is a list of some typical heritage assets encountered in the municipal environment:

#### General

9.5	HERITAGE ASSETS
-----	-----------------

#### Procedures and Rules

- The Asset Management Committee, in consultation with Executive Directors, shall ensure that all intangible assets are appropriately recorded in terms of the municipality's policies.
- It is the responsibility of the Head of Information Technology to ensure that all licensed computer software other than operating software are accounted.

#### **9.7 Investment Property**

##### General

*Investment Property* comprise of land or buildings (or parts of buildings) or both, held by the municipality as owner, or as lessee under a finance lease, to earn rental revenues or for capital appreciation or both. Investment property does not include property used in the production or supply of service or for administration. It also does not include property that will be sold in the normal course of business. Typical investment properties include:

- Office parks (which have been developed by the municipality itself or jointly between the municipality and one or more other parties);
- Shopping centres (developed along similar lines);
- Housing developments (developments financed and managed by the municipality itself, with the sole purpose of selling or letting such houses for profit).
- Land held for a currently undetermined future use. For this class of Land and Buildings there is no intention of developing or selling the property in the normal course of business. This land and buildings include Infrastructure reserves.

##### Policy

Investment Properties shall be accounted for in terms of GRAP 16 and shall not be classified as PPE for purposes of preparing the municipality's Statement of Financial Position. Investment Property shall initially be measured at its cost. Transaction costs shall be included in this initial measurement. Where an investment property is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

If the Council of the municipality resolves to construct or develop a property for future use as an investment property, such property shall in every respect be accounted for as PPE until it is ready for its intended use, where after it shall be reclassified as an investment asset.

After initial recognition, all investment property shall be measured at cost less accumulated depreciation, except in the cases described in GRAP 16.61. The fair value of investment property shall be determined annually at reporting date in terms of the municipality's Accounting Policy. The fair value should reflect market conditions and circumstances as at the reporting date.

- The Asset Management Committee shall ensure the recognition and measurement of Biological Assets in terms of GRAP 27.
- The Asset Management Committee shall ensure the recognition and measurement of Biological Assets in terms of GRAP 27.
- The Asset Management Committee shall ensure the recognition and measurement of Biological Assets in terms of GRAP 27.

#### Procedures and Rules

Biological assets, such as livestock and crops, shall be valued annually at fair value less estimated point-of-sale costs.

#### Policy

Where the municipality is unable to measure the fair value of biological assets reliably, a biological asset should be measured at cost less any accumulated depreciation and accumulated impairment losses.

Point-of-sale costs include commissions to brokers and dealers, levies by regulatory agencies and commodity exchanges, and transfer taxes and duties. Point-of-sale costs exclude transport and other costs necessary to get assets to the market.

Biological Assets are living plants and animals such as trees in a plantation or orchard, cultivated plants, sheep and cattle. Managed agricultural activity such as raising livestock, forestry, annual or perennial cropping, fish farming that are in the process of growing, degenerating, regenerating and / or producing which are expected to eventually result in agricultural produce. Such agricultural produce is recognised at the point of harvest. Future economic benefits must flow to the municipality from its ownership or control of the asset.

#### General

9.8	Biological Assets
-----	-------------------

- The Asset Management Committee shall ensure that investment assets are recorded in an Investment Property register.
- The Asset Management Committee shall ensure that an appropriately qualified valuator undertake such valuations on an annual basis.
- The Asset Management Committee shall ensure the recognition and measurement of Investment Property in terms of GRAP 16.

#### Procedures and Rules



## 9.9 Discontinued Operations (GRAP 100)

### General

A non-current asset shall be classified as *Assets Held-for-Sale* if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

For the sale to be highly probable, management must be committed to a plan to sell the asset, and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

### Policy

Assets identified for disposal by way of a sale transaction, be it by public auction, bidding process or sales agreement, within 12 months of the date of identification shall be classified as assets held-for-sale and transferred from the home asset category to held-for-sale category. Such assets shall be measured at the lower of its carrying amount and fair value less costs to sell and is not depreciated any further upon classification as held-for-sale.

The municipality shall not classify a non-current asset that is to be abandoned as held-for-sale because its carrying amount will be recovered principally through continuing use.

### Procedures and Rules

- The Asset Management Committee shall ensure that assets held-for-sale are recorded in a separate register.
- The Asset Management Committee shall ensure the recognition and measurement of *Assets Held-for-Sale* in terms of GRAP 100.

## 9.10 Inventory Property (GRAP 12)

### General

*Inventory Property* comprises any land or buildings owned or acquired by the municipality with the intention of selling such property in the ordinary course of business, or any land or buildings owned or acquired by the municipality with the intention of developing such property for the purpose of selling it in the ordinary course of business.

- The Asset Management Committee shall ensure that minor assets are recorded in the Asset Register in the same manner as other assets, but a separate section of the Asset Register shall be maintained for this purpose.

#### Procedures and Rules

Minor assets shall be expensed in the Statement of Financial Performance and not be capitalised. However, these assets shall be bar-coded for identification purposes and recorded at cost in the Minor Asset Inventory Listing. These assets shall not be depreciated or tested for impairment and shall not generate any further transactions, except in the cases where losses are recovered by means of insurance claims or recoveries from disciplinary actions.

#### Policy

Minor Assets comprise moveable assets not capitalised in terms of the threshold policy of the municipality. However, these assets must still be controlled, safeguarded and verified by the municipality. They are not capitalised for the number of assets comparable to their value does not warrant the complex procedures applicable to asset management, rendering a manageable Asset Register by concentrating on what is material and significant to the municipality's operation.

#### General

9.11	Minor Assets (Assets Below Approved Threshold)
------	--

- The Asset Management Committee shall ensure that inventory properties are recorded in the inventory register.
- The Asset Management Committee shall ensure the recognition and measurement of *Inventory Property* in terms of GRAP 12.

#### Procedures and Rules

Inventory land and buildings shall be accounted for as inventory, and not included in either PPE or investment property in the municipality's Statement of Financial Position. Inventory property shall be valued annually at reporting date at the lower of its carrying value or net realisable value, except where they are held for:

- (a) distribution at no charge or for a nominal charge, or
- (b) consumption in the production process of goods to be distributed at no charge or for a nominal charge, then they shall be measured at the lower of cost and current replacement cost.

#### Policy

## **10. Asset Acquisition**

### **10.1 Acquisition of Assets**

#### General

Acquisition of assets refers to the purchase of assets by buying, building (construction), or leasing.

#### Policy

Should the municipality decide to acquire an asset, the following fundamental principles should be carefully considered prior to acquisition of such an asset:

- The purpose for which the asset is required is in keeping with the objectives of the municipality and will provide significant, direct and tangible benefit to it;
- The asset fits the definition of an asset (as defined in GRAP 16, GRAP 17, GRAP 27, GRAP 31 and GRAP 103)
- The asset has been budgeted for;
- The future annual operations and maintenance needs have been calculated and have been budgeted for in the operations budget;
- The purchase is absolutely necessary as there is no alternative municipal asset that could be economically upgraded or adapted;
- The asset is appropriate to the task or requirement and is cost-effective over the life of the asset.
- The asset is compatible with existing equipment and will not result in unwarranted additional expenditure on other assets or resources;
- Space and other necessary facilities to accommodate the asset are in place; and

#### Procedures and Rules

- The Asset Management Committee shall ensure that the Supply Chain Management Policy makes provision for these principles.
- The CFO shall ensure that all acquired assets are appropriately insured.

### **10.2 Creation of New Infrastructure Assets**

#### General

Creation of new infrastructure assets refers to the purchase and / or construction of totally new assets that has not been in the control or ownership of the municipality in the past.

#### Policy

The cost of all new infrastructure facilities (not additions to or maintenance of existing infrastructure assets) shall be allocated to the separate assets making up such a facility and values may be used as a basis for splitting up construction costs

- Executive Directors shall ensure that proper records of staff time, transport and material costs are kept such that all costs associated with the construction of these assets are completely and accurately accounted for.

#### Procedures and Rules

All assets that can be classified as assets and that are constructed by the municipality should be recorded in the Asset Register and depreciated over its estimated useful life for that category of asset. Work in progress shall be flagged as such in the Asset Register until such time that the facility is completed. Depreciation will commence when the asset is in the condition necessary for it to operate in the manner intended by management.

#### Policy

Self-constructed assets relate to all assets constructed by the municipality itself or another party on instructions from the municipality.

#### General

### 10.3 Self-constructed Assets

- Executive Directors shall ensure that a "Bill of Material" is submitted to Finance that includes the details of the work in progress relating to the relevant invoice and/or payment request.
- Executive Directors shall notify Finance when the works have been completed and the assets can be recognised.
- Executive Directors shall guide the service provider to submit invoices of work in progress as per the components and classification of assets as in the Asset Register.
- Executive Directors shall provide Finance with completion certificates and bill of quantities for all completed capital projects.
- The Executive Directors shall be responsible for ensuring existence, completeness and accuracy of the bill of quantities and invoice provided to the relevant assets on the ground.

#### Procedures and Rules

Each part of an item of infrastructure with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

Work in progress shall be flagged as such in the Asset Register until such time that the facility is completed. Depreciation will commence when the construction of the asset is finalised and the asset is in the condition necessary for to operate in the manner intended by management.

of new infrastructure into its significant components, each of which have an appropriate useful life.

- Executive Directors shall open a job card for each infrastructure project constructed by the municipality.
- On completion of the infrastructure project, the Executive Directors shall notify Finance of the asset being commissioned and will assist Finance in ensuring that all costs (both direct and indirect) associated with the construction of the assets are summed and capitalised to the assets that make up the project.

#### 10.4 Donated Assets

##### General

A donated asset is an item that has been given to the municipality by a third party in government or outside government without paying or actual or implied exchange.

##### Policy

Donated assets should be valued at fair value, reflected in the Asset Register, and depreciated as normal assets.

##### Procedures and Rules

- All donated assets must be approved by the Asset Management Committee and ratified by Council prior to acceptance. The relevant Executive Director shall ensure compliance.
- The Asset Management Committee must evaluate the future operational costs of donated assets and the effect it might have on future tariffs and taxes, before a donated asset is accepted by the municipality.
- The conditions associated with the donation must be agreed upon and signed by the Municipal Manager.
- Municipal officers must inform the Asset Management Committee of any donations made to the Municipality.

- Executive Directors must determine the reasonable remaining useful lives of the assets under their control. Changes in remaining useful lives must be approved by the Asset Management Committee.
- During annual physical verification the condition of each asset must be reviewed to determine the validity of its remaining useful life as reflected on the Assets Register. All items identified as being impaired (with remaining useful life shorter than anticipated as per the Assets Register) must be reported to the Chief Financial Officer who will implement steps to ensure that the impairments are incorporated in the Assets Register and reported on as required by the standards of GRAP.
- The CFO shall ensure that remaining useful lives, and changes thereof, are properly recorded and accounted for in the Asset Register and the general ledger.
- The Asset Management Committee shall ensure that the *Remaining Useful Life* of an asset shall be reviewed at each reporting date.

#### Procedures and Rules

The remaining useful life of assets shall be reviewed annually. Changes emanating from such reviews should be accounted for as a change in accounting estimates in terms of GRAP 3.

#### Policy

National Treasury (NT) published its Local Government Asset Management Guideline in August 2008 that includes directives for useful lives of assets, but municipalities must use their own judgement based on operational experience and in consultation with specialists where necessary in determining the useful lives for the particular classes of assets. Should the municipality decide on a useful life outside the given parameters, the National Treasury (OAG) should be approached and provided with a motivation, for its agreement of the rate utilised. The calculation of useful life is based on a particular level of planned maintenance.

*Useful Life* of assets is defined in paragraph 2 of the Policy and is basically the period or number of production units for which an asset can be used economically by the municipality.

#### General

11.1	Asset Maintenance
11.1	Useful Life of Assets

## 11.2 Residual Value of Assets

### General

The *Residual Value* of an asset is the estimated amount that the municipality would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

### Policy

Residual values should be determined upon the initial recognition (capture) of assets. However, this will only be applicable to assets that are normally disposed of by selling them once the municipality does not have a need for such assets anymore, e.g. motor vehicles. In practice, the residual value of an asset is often insignificant and therefore immaterial in the calculation of the depreciable amount.

The residual value of assets shall be reviewed annually at reporting date. Changes in depreciation charges emanating from such reviews should be accounted for as a change in accounting estimates in terms of GRAP 3.

### Procedures and Rules

- Executive Directors must determine the reasonable residual values of the assets under their control. Changes in residual values must be approved by the Asset Management Committee.
- The CFO shall ensure that residual values, and changes thereof, are properly recorded and accounted for in the Asset Register and the general ledger.
- The Asset Management Committee shall ensure that the *residual value* of an asset shall be reviewed at each reporting date.

## 11.3 Depreciation of Assets

### General

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Depreciation therefore recognises the gradual exhaustion of the asset's service capacity. The depreciable amount is the cost of an asset, or other amount substituted for cost in the financial statements, less its residual value.

The depreciation method used must reflect the pattern in which economic benefits or service potential of an asset is consumed by the municipality. The following are the allowed alternative depreciation methods that can be applied by the municipality:

- Straight-line;
- Diminishing Balance; and
- Sum of the Units.

## Policy

All assets, except land, investment properties and heritage assets, shall be depreciated over their reasonable useful lives. The residual value and the useful life of an asset shall be reviewed at each reporting date. The depreciation method applied must be reviewed at each reporting date. Reasonable budgetary provisions shall be made annually for the depreciation of all applicable assets controlled or used by the municipality, or expected to be so controlled or used during the ensuing financial year.

Depreciation shall take the form of an expense both calculated and debited on a monthly basis against the appropriate line item in the business unit or vote in which the asset is used or consumed. Depreciation of an asset should begin when the asset is ready to be used, i.e. the asset is in the location and condition necessary for it to be able to operate in the manner it is intended by management. Depreciation of an asset ceases when the asset is derecognised. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use and held for disposal unless the asset is fully depreciated. However, under certain methods of depreciation the depreciation charge can be zero while there is no production.

In the case of intangible assets being included as assets, the procedures to be followed in accounting and budgeting for the amortisation of intangible assets shall be identical to those applying to the depreciation of other assets.

## Procedures and Rules

- Executive Directors must ensure that a budgetary provision is made for the depreciation of the assets under their control in the ensuing financial year.
- Executive Directors must determine the reasonable useful life of the asset classifications under their control. Deviations from the standards of useful life must be motivated in writing to the Asset Management Committee for approval.
- In the case of an asset which is not listed in the asset classification list, Executive Directors shall determine a useful operating life, in consultation with the CFO, and shall be guided in determining such useful life by the likely pattern in which the asset's economic benefits or service potential will be consumed. The Asset Management Committee must be informed of the additional asset classification and amend the Asset Management Policy accordingly.
- Alternative depreciation methods may be used in exceptional cases, if motivated by the Executive Director controlling the asset to the Asset Management Committee. The Executive Director must then provide the Asset Management Committee with sufficient statistical information to make estimates of depreciation expenses for each financial year.
- The CFO shall ensure that depreciation shall be up to date on a monthly basis and be reconciled between the Asset Register and the general ledger.



- The CFO shall ensure that the *residual value, useful life and depreciation method* of an asset shall be reviewed at each reporting date.

#### 11.4 Impairment Losses

##### General

Impairment is the loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation. For example:

- Significant decline in market value;
- Carrying amount of an asset far exceeds the recoverable amount or market value;
- There is evidence of obsolescence (or physical damage);
- The deterioration of economic performance of the asset concerned; and
- The loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (such as through inadequate maintenance).

The impairment amount is calculated as the difference between the *carrying value* and the *recoverable service value*. The recoverable service value is the higher of the asset's value in use or its net selling price. Where the recoverable service amount is less than the carrying amount, the carrying amount should be reduced to the recoverable service amount by way of an impairment loss. The impairment loss should be recognised as an expense when incurred unless the asset is carried at revalued amount.

If the asset is carried at a revalued amount (in the case of investment property, infrastructure and community assets) the impairment should be recorded as a decrease in the revaluation reserve. Where immovable property, plant and equipment surveys are conducted, the recoverable service value is determined using the depreciated replacement costs method by assessing the remaining useful life.

##### Policy

Assets shall be reviewed annually for impairment. Impairment of assets shall be recognised as an expense, unless it reverses a previous revaluation in which case it should be charged to the *Revaluation Surplus*. The reversal of previous impairment losses recognised as an expense is recognised as an income.

##### Procedures and Rules

- The Asset Management Committee must ensure that annual impairment surveys are performed where the impairment indicator is triggered.
- The CFO shall ensure that impairment losses, or reversals thereof, are properly recorded and accounted for in the Asset Register and the general ledger.

- Executive Directors responsible for the control and utilisation of infrastructure assets shall monitor maintenance actions and budget for the operation and maintenance needs of each asset or class of assets under their control. Operating expenses must include all labour and material costs for the repair and maintenance of the assets. This includes both contracted services and services performed by employees.
- Executive Directors shall ensure that the operating expenses are expended against the operating budget and not the capital budget.

#### Procedures and Rules

The risk and criticality of all assets must be assessed in conjunction with the annual physical asset verification process. All assets with a condition rating greater than 3 (three) must be reported to the Asset Management Committee who will give instructions with regard to the criticality grading of the assets on the Asset Register. Executive Directors must ensure that the assets identified as critical are attended to in order to prevent possible failure.

Maintenance actions performed on infrastructure assets shall be recorded against the individual assets that are individually identified in the Asset Register.

#### Policy

Maintenance analysis is an essential function of infrastructure management to ensure cost-effective and sustainable service delivery. In order to analyse maintenance data, maintenance actions undertaken against individual infrastructure assets should be recorded against such assets.

The splitting of linear infrastructure has a data management implication, but it is the easiest method that maintains the data integrity over time.

If a future renewal of the entire pipe will include the renewal of the partial section that is now renewed, then the renewal of the partial section is treated as renewal and the pipe is split into two separate assets.

- If a future renewal of the entire pipe will include the renewal of the partial section that is now renewed, then the renewal of the partial section is treated as maintenance.
- If a future renewal of the entire pipe will include the renewal of the partial section that is now renewed, then the renewal of the partial section is treated as maintenance.

For linear infrastructure assets, such as pipes and roads, the following test is applied to differentiate between maintenance and renewal when partial sections of linear assets are renewed:

Maintenance refers to all actions necessary for retaining an asset as near as practicable to its original condition in order for it to achieve its expected useful life, but excluding rehabilitation or renewal. This includes all types of maintenance – corrective and preventative maintenance.

#### General

- Executive Directors shall report to the Council annually of the extent to which the approved maintenance plan has been complied with and the extent of deferred maintenance.
- Executive Directors shall report to the Council annually on the likely effects that maintenance budgetary constraints may have on the useful operating life of the Infrastructure asset classes;
- Executive Directors shall ensure that maintenance plans make provision for the additional maintenance burden of future infrastructure to be acquired.

#### 11.6 Renewal of Assets

##### General

Asset Renewal is restoration of the service potential of the asset. Asset renewal is required to sustain service provision from infrastructure beyond the initial or original life of the asset. If the service provided by the asset is still required at the end of its useful life, the asset must be renewed. However if the service is no longer required, the asset should not be renewed. Asset renewal projections are generally based on forecast renewal by replacement, refurbishment, rehabilitation or reconstruction of assets to maintain desired service levels.

##### Policy

Assets renewal shall be accounted for against the specific asset. The renewal value shall be capitalised against the asset and the expected life of the asset adjusted to reflect the new asset life.

##### Procedures and Rules

- The Asset Management Committee must ensure that processes are in place to capture renewals data against specific assets and to capitalise it correctly.
- Executive Directors shall ensure that renewals expenditure are correctly budgeted for in the capital budget and expensed against this budget.
- Executive Directors must ensure that renewals expenditure data are correctly captured against the assets and the expected lives adjusted.

#### 11.7 Replacement of Assets

##### General

This paragraph deals with the complete replacement of an asset that has reached the end of its useful life so as to provide a similar or agreed alternative level of service.

## Policy

Assets that are replaced shall be written off at their carrying value. The replacement asset shall be accounted for as a separate new asset. All costs incurred to replace the asset shall be capitalised against the new asset. The SCMP will be applied.

## Procedures and Rules

- The Asset Management Committee must ensure that processes are in place to capture replacement data against specific assets and to capitalise it correctly.
- Executive Directors shall ensure that replacement expenditure are correctly budgeted for in the capital budget and expensed against this budget.

## 12. Asset Disposal

### 12.1 Transfer of Assets

#### General

The processes and rules for the transfer of an asset to another municipality, municipal entity or national/provincial organ of state are governed by an MFMA regulation namely "the Local Government: Municipal Asset Transfer Regulations".

Transfer of assets or inventory items refers to the internal transfer of assets within the municipality or from the municipality to another entity. Procedures need to be in place to ensure that the Asset Control Business Unit can keep track of all assets and ensure that the fixed Asset Register is updated with all changes in asset locations. These procedures must be followed and apply to all transfers of assets from:

- One Business Unit to another;
- One location to another within the same Business Unit;
- One building to another; and
- One entity to another.

#### Policy

The transfer of assets is regulated by the SCMP and shall be controlled by the transfer processes in the policy and the Asset Register shall be updated accordingly.

#### Procedures and Rules

- Executive Directors must ensure that all asset transfer information is passed to Finance.
- Asset transfer form should be used whenever there is movement of asset from one location to another.
- The CFO must ensure that a process is in place to capture and record asset transfer data.
- Staff of the Municipality, except for duly authorised staff, shall not move rented assets, such as photocopy machines.
- No person shall transfer any IT equipment without the knowledge and written consent of the Head: Information Technology.
- Executive Directors must immediately report to the Asset Management Committee any damages caused to an asset and will be held responsible to investigate the cause or nature of such damage.

- A municipality may not ... "permanently dispose of a asset needed to provide the minimum level of basic municipal services"
- Where a municipal council has decided that a specific asset is not needed to provide the minimum level of basic services, a transfer of ownership of an asset must be fair, equitable, transparent, competitive and consistent with the municipality's supply chain management policy.

Specifically:  
The MFMA (section 14 and 90) and the Municipal Supply Chain Management Regulation no. 27636 have specific requirements regarding the disposal of assets.

Alienation / Disposal (alienation) is the process of disowning redundant and obsolete assets by transferring ownership or title to another owner, which is external to the municipality.

#### General

### 12.3 Alienation / Disposal of Assets

- An item of PPE may be acquired in exchange for a similar asset that has a similar use in the same line of operations and which has a similar fair value or may be sold in exchange for an equity interest in a similar asset. No gain or loss is recognised in both cases.
- The Asset Management Committee shall approve all asset exchanges in consultation with the relevant Executive Director.

#### Procedures and Rules

The SCMP will be applied when assets are exchanged. The cost of assets acquired in exchange for another asset shall be measured at the fair value of the asset received, which is equivalent to the fair value of the asset given up, adjusted by the amount of any cash or cash equivalents transferred.

#### Policy

If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

According to GRAP 17.33 an item of PPE may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. The cost of such an item of property, plant and equipment is measured at fair value unless:  
(a) the exchange transaction lacks commercial substance; or  
(b) the fair value of neither the asset received nor the asset given up is reliably measurable.

#### General

### 12.2 Exchange of Assets

### Policy

There are various methods of disposal. Different disposal methods will be needed for different types of assets. When deciding on a particular disposal method and consideration of the following, the SCMP on disposal of assets must be applied:

- The nature of the asset
- The potential market value
- Other intrinsic value of the asset
- Its location
- Its volume
- Its trade-in price
- Its ability to support wider Government programmes;
- Environmental considerations
- Market conditions
- The asset's life

Appropriate means of disposal may include:

- Public auction
- Public tender
- Transfer to another institution
- Sale to another institution
- Letting to another institution
- Trade-in
- Controlled dumping (for items that have low value or are unhygienic)

Alienated assets shall be written-off in the Asset Register.

### Procedures and Rules

- Executive Directors shall report in writing to the Asset Management Committee on 31 October and 30 April of each financial year on all assets which they wish to alienate and the proposed method of alienation.
- The CFO shall consolidate the requests received from the various business units, and shall promptly report the consolidated information to the Asset Management Committee, recommending the process of alienation to be adopted.
- The Council shall delegate to the Asset Management Committee the authority to approve the alienation of any asset.
- The Council of KwaDukuza Municipality shall delegate its powers to the Asset Management Committee chaired by Accounting Officer to make a determination in terms of Section 14(2) (a) & (b) of the MFMA in respect of movable capital assets below the net book value of R10 000 per Business Unit per year.
- Where the policy allows discretionary powers to be exercised in the determination of measurement, de-recognition and disclosure, these powers vest with Asset Management Committee unless specifically delegated otherwise.
- The Council shall ensure that the alienation of any asset takes place in compliance with Section 14 of the Municipal Finance Management Act,

Commented [LN2]: Remove this sentence

Commented [LN3]: Add this statement

- b) Assets written off as a result of roads or storm water assets upgrades
- > In most cases upgrades projects result on the existing poor performing component of that particular assets being replaced. E.g. resurfacing of road

- a) Redundant infrastructure assets and other high value assets (vehicles)
  - > The relevant Business Unit should compile a list of all redundant assets. Fleet Assets are centrally co-ordinated by the Electrical Business Unit
  - > Report such assets and the intention to dispose to the Asset Management Committee.
  - > Submit report of redundant assets to be disposed to their respective Portfolio Committee and Council for approval.
  - > Submit the list of assets and Council resolution to Supply Chain Management Section.
  - > Supply Chain Management to conduct disposal of assets using the appropriate means as stipulated on section 14 of the MFMA.

Assets may be disposed via various methods which may include but is not limited to sale, write-off, stolen or damaged assets, impairment transfer and donations. The following procedures should be followed when the Municipality is disposing or writing off its assets:

- Selling: Assets to be sold shall be sold in terms of paragraph 12.4 below.
- Supply Chain Management Unit and Disposal Committee must make sure that the auction of redundant assets is conducted at least once within a reporting period.
- Donations: Donations may be considered as a method of alienation, but such requests must be motivated to the Asset Management Committee for approval.
- Destruction: Assets that are hazardous or need to be destroyed must be identified for tenders or quotations by professional disposal agencies.
- Scraping: Scraping of assets that cannot be alienated otherwise may be considered as a method of alienation, but such requests must be motivated to the Asset Management Committee.
- Once the assets are alienated, the CFO shall write-off the relevant assets in the Asset Register.
- The letting of immovable property must be done at market-related tariffs, unless the relevant treasury approves otherwise. No municipal property may be let free of charge without the prior approval of the relevant treasury.
- The responsibility to take items or obtain approval from the AMC for the matter listed in the policy rests with the relevant Executive Director unless otherwise specifically stated.

Commented [LM4]: Insert this paragraph and points from (a) to (f) below.



result from the removal/replacement of the existing old top layer with the new top layer.

- Asset Management Section working with relevant Business Unit should quantify the removed or replaced old component and write off such from the Assets Register and capitalised the new component constructed.
- It should be noted that when Council approves the budget of upgrading its existing infrastructure assets it's automatically approves the replacement of those old components with new ones.
- As such no specific resolution for writing of assets under this category is required.
- Asset Management Section should report all assets removed from the Assets Register to the Asset Management Committee.

**c) AUC Write off**

- User Business unit should advise and confirm write off of expenditure incurred on cancelled capital projects.

**d) Redundant movable assets (furniture and fittings)**

- Each Business unit should compile a list of all redundant assets.
- Submit an item to the Asset Management Committee for approval if the net book value of all redundant assets per Business Unit is less than R10 000.
- Submit a list of redundant assets with AMC's resolution to Supply Chain Management Section.
- Submit an item to the respective Portfolio Committee and Council for approval if the net book value of all redundant assets per Business Unit is above R10 000.
- Submit a list of redundant assets with Council resolution to Supply Chain Management Section.
- Supply Chain Management to conduct disposal of assets using the appropriate means as stipulated on section 14 of the MFMA.

**e) Transfer of Municipal land to the beneficiaries of RDP Housing projects**

- Municipal land will only be removed from the Fixed Assets Register when the transfer process from Deeds Office has been finalised.
- Date of transfer should be a date as when the property was registered to the respective beneficiary.
- Council resolution approving the implementation of housing project should form part of working paper file. No further Council approval is required

**f) Sale of Municipal land**

- Municipal land will only be removed from the Fixed Assets Register when all conditions outlined on the sale agreement has been met.
- Sale agreement and Council resolution approving the sale of land should form part of the working paper file.

**g) Insurance Losses**

- Asset Management Section to identify all assets reported as stolen or damaged (including vehicle involved in accidents and were declared as beyond repair) from the insurance register.
- Remove such assets from the Fixed Assets Register.
- Submit reports to the Asset Management Committee and Council.

#### 12.4 Selling of Assets

##### General

Selling of assets refers to the public sale of municipal assets approved for alienation.

##### Policy

The selling of assets must be within the parameters laid down in the SCMP. Further must all assets earmarked for sale be sold by public auction or tender and the following steps shall be followed:

- A notice of the intention of the municipality to sell the asset shall be published in a local newspaper;
- In the case of a public auction, the municipality shall appoint an independent auctioneer to conduct the auction; and
- In the case of a tender, the prescribed tender procedures of the municipality shall be followed.

Assets earmarked for sale, shall be reclassified as Assets Held-for-Sale in terms of paragraph 6.10 of this Policy and shall not attract any further depreciation.

Sold assets shall be written-off in the Asset Register.

##### Procedures

- A request for assets to be sold must be submitted to the Asset Management Committee for approval. The request must be accompanied by a list of assets to be sold and the reasons for sale as described in paragraph 12.3 above.
- Assets earmarked for sale shall be reclassified as Assets Held-for-Sale. The Asset Management Committee may approve the engagement of auctioneers either on a quotation basis or by tender depending on the goods to be alienated.
- Bidding: Bidders are afforded the opportunity to make an offer on identifiable items. Bids are compared and the highest bidder is awarded the bid.

- Tenders: Tenders shall be invited according to the municipality's tender procedures.
- Once the assets are sold, the CFO shall write-off the relevant assets in the Asset Register.
- If the proceeds of the sales are less than the carrying value recorded in the Asset Register, such difference shall be recognised as a loss for the business unit or vote concerned in the Statement of Financial Performance. If the proceeds of the sales, on the other hand, are more than the carrying value of the asset concerned, the difference shall be recognised as a gain for the business unit or vote concerned in the statement of financial performance.
- Transfer of assets to other municipalities, municipal entities (whether or not under the municipality's sole or partial control) or other organs of state shall take place in accordance with the above procedures, except that the process of alienation shall be by private treaty.

#### 12.5 Writing-off of Assets

##### General

The write-off of assets is the process to permanently remove the assets from the Asset Register. Assets can be written-off after approval of the Asset Management Committee of a report indicating that:

- The useful life of the asset has expired;
- The asset has been destroyed;
- The asset is out dated;
- The asset has no further useful life;
- The asset does not exist anymore;
- The asset has been sold; and
- Acceptable reasons have been furnished leading to the circumstances set out above.
- The SCMP has been adhered to.

The Accounting Officer may approve the *ad hoc* writing-off of assets without prior approval of the Asset Management Committee on condition that –

- The write-offs fall after but between the next scheduled Asset Management Committee meeting and financial year end closure; and
- The Asset Management Committee is informed of the write-offs at the next scheduled Asset Management Committee meeting.

##### Policy

The only reasons for writing off assets, other than the sale of such assets during the process of alienation, shall be the loss, theft, destruction, material impairment, or decommissioning of the asset in question.

# *Procedures and Rules*

- Executive Directors shall report to the CFO on 31 October and 30 April of each financial year on any assets which such Executive Director wishes to have written-off, stating in full the reason for such recommendation. The CFO shall consolidate all such reports, and shall promptly submit a recommendation to the Asset Management Committee on the assets to be written off.
- An asset, even though fully depreciated, shall be written-off only on the recommendation of the Executive Director controlling or using the asset concerned, and with the approval of the Asset Management Committee.
- In every instance where a not fully depreciated asset is written off with no proceeds for the asset being obtained, the CFO shall immediately debit to such business unit or vote the full carrying value of the asset concerned as impairment expenses.
- Assets that are replaced should be written-off and removed from the Asset Register.

## 13. Asset Physical Control

### 13.1 Physical Control / Verification

#### General

Movable assets require physical control and verification of existence.

#### Policy

All movable assets shall be actively controlled, including an annual verification process.

#### Procedures and Rules

- All movable assets, where practicable, must have a visible bar code or unique asset marking as determined by the Asset Management Committee.
- Annual verification of movable assets should be conducted under the direction of Finance. This procedure would enable the municipality to identify discrepancies and dispositions and properly investigate and record the transactions.
- Procedures should be established to adequately identify assets owned by others or subject to reclamation by donors.
- Personal declaration form should be filled and signed in relation to those assets not owned by the Municipality.
- The Asset Management Committee shall co-ordinate and control regular physical checks, and all discrepancies are to be reported immediately to the Asset Management Committee.
- Registers must be kept for those assets allocated to staff members. The individuals are responsible and accountable for the assets under their control. These registers should be updated when the assets are moved to different locations or allocated to a different staff member in order to facilitate control and physical verification.
- Where a change in person in direct control of equipment takes place, a handing-over certificate shall be completed and signed by both parties concerned and a copy of this certificate must be forwarded to Finance. If surpluses or deficiencies are found, the certificates shall be dealt with as with stock-taking reports.
- If for any reason the person from whom the asset is being taken over is not available, the Asset Manager should assist the person taking over with the checking of the equipment and the certification of any discrepancies.
- In case of failure to comply with the requirements of a handing-over certificate, the person taking over shall be liable for any shortages, unless it can be established that the shortages existed prior to their taking over.

Assets that are material in value and substance shall be insured at least against destruction, fire and theft. All municipal buildings shall be insured at least against fire and allied perils.

#### Policy

Insurance provides selected coverage for the accidental loss of the asset value. Generally, government infrastructure is not insured against disasters because relief is provided from the Disaster Fund through National Treasury.

#### General

### 13.2 Insurance of Assets

- Any losses of and damage to equipment, excluding discrepancies at stocktaking or losses resulting from normal handling or reasonable wear and tear, shall be reported to the Asset Management Committee.
- Independent checks from asset records shall be conducted to ensure that the assets physically exist, especially those that could be disposed of without a noticeable effect on operations.
- Yearly physical inspections of assets shall be performed to identify items which are damaged, not in use or are obsolete due to changed circumstances, to ensure that they are appropriately repaired, written off or disposed off.
- All newly acquired assets shall be delivered to / received by the procurement section where the assets will be bar-coded before dispatch to the persons who will be the custodians of the assets. Where this is not practicable, the acquired assets must be delivered to the section issuing the requisition and that section must notify the procurement section so that bar-coding or asset marking can be arranged.
- Delivery of assets by procurement staff must be to the person requiring the asset and he/she will sign a form accepting responsibility for the asset.
- The Asset Management Committee may, on request of an Executive Director, waive full physical verification and accept written confirmation from the Executive Director of infrastructure assets being verified during the course of a financial period as part of routine end-of planned maintenance and/or physical inspections. Documentation in this regard must be kept by business units and be available for inspection. The Chief Financial Officer will inform the external auditors of the Asset Management Committee's decision.
- Standard operating procedure on physical verification and condition assessment of movable assets has been developed to ensure that all asset holders understand the role they are supposed to play when it comes to control and safeguarding of assets assigned to them.

#### Procedures and Rules

- The Asset Management Committee will ensure that all assets are properly insured in terms of the policy.

### **13.3 Safekeeping of Assets**

#### General

Asset safekeeping is the protection of assets from damage, theft, and safety risks.

#### Policy

Directives for the safekeeping of assets shall be developed and the safekeeping of assets shall be actively undertaken.

#### Procedures and Rules

- The Asset Management Committee must issue directives that detail the safekeeping of assets.
- Executive Directors must ensure that safekeeping directives are adhered to.
- Malicious damage, theft, and break-ins must be reported to the CFO within 48 hours of its occurrence or awareness. The CFO will inform the Asset Management Committee of such occurrence.
- The Municipal Manager must report criminal activities to the South African Police Service.
- If any biological asset is lost, stolen or destroyed, the matter shall be reported in writing by the Executive Director concerned in exactly the same manner as though the asset were an ordinary asset.

The Municipal Finance Management Act (MFMA) provides guidelines on how to utilise funds in financing assets (Section 19 of MFMA). The municipality shall utilise any of the following sources to acquire and / or purchase assets:

#### General

#### 14.2 Funding Sources

- The CFO should reconcile the borrowing cost to be capitalised with the amount that has been capitalised on a monthly basis.

#### Procedures and Rules

Municipality shall disclose the accounting policy adopted for borrowing costs.

Borrowing costs shall be capitalised, if related to the construction of an asset, when the construction of an asset is expected to take a substantial period of time to get ready for its intended use or resale and an outside agency is used to finance the project.

#### Policy

During extended periods in which development of an asset is interrupted, the borrowing costs incurred over that time period should be recognised as an expense when incurred. Capitalisation of borrowing costs should cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

The capitalisation of borrowing costs should take place when borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress.

Borrowing costs are interest and other costs incurred by the municipality from borrowed funds. The items that are classified as borrowing costs include interest on bank overdrafts and short-term and long-term borrowings, amortisation of ancillary premiums or discounts associated with such borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance charges in respect of finance leases and foreign exchange differences arising from foreign currency borrowings when these are regarded as an adjustment to interest costs.

#### General

#### 14.1 Borrowing Costs (GRAP 5)

#### 14 Asset Financial Control



- Grants;
- Donations;
- Internally Generated Funds;
- External Loans; and / or
- Leases.

15. EFFECTIVE DATE

This policy shall be effective from 01 July 2019 upon approval by Council.

16. POLICY ADOPTION

This policy has been considered and approved by the COUNCIL OF  
KWADUKUZA MUNICIPALITY as follows:

Resolution No:

Approval Date:

# ANNEXURES

## ANNEXURE A ABBREVIATIONS

AM	Asset Management
AMS	Asset Management System
CFO	Chief Financial Officer
DM	District Municipality
EPWP	Expanded Public Work Program
GIS	Geographical Information System
GRAP	Standards of Generally Recognised Accounting Practice
HR	Human Resource
IAM	Infrastructure Asset Management
IAMP	Infrastructure Asset Management Plan
AR	Asset Register
IAR	Infrastructure Asset Register
IAS	International Accounting Standards
IDP	Integrated Development Plan
MFMA	Municipal Finance Management Act
MTREF	Medium Term Revenue and Expenditure Framework
NT	National Treasury
OAG	Office of the Accountant General
LM	Local Municipality
O&M	Operation and Maintenance
SCMP	Supply Chain Management Policy

ANNEXURE B  
ASSET HIERARCHY

Nation & Code	Major Group	Minor Code	Minor Group	Group Code	Group	EUL (Y/N)	EUL (Month)	Criticality
10000	Land	1000	Land	1001	Land Developer		0	
20000	Buildings	2000	Dwellings	2001	Campavans		5	
20000	Buildings	2000	Dwellings	2002	Children's Homes		25	
20000	Buildings	2000	Dwellings	2003	Foreign Migrant Dwellings		25	
20000	Buildings	2000	Dwellings	2004	Homes for the Aged		25	
20000	Buildings	2000	Dwellings	2005	Hotels		25	
20000	Buildings	2000	Dwellings	2006	Quart' Personnel Dwellings		25	
20000	Buildings	2000	Dwellings	2007	Mobile Homes		5	
20000	Buildings	2000	Dwellings	2008	Places of Safety		25	
20000	Buildings	2000	Dwellings	2009	Prisons and Rehabilitation		25	
20000	Buildings	2000	Dwellings	2010	Religious Premises		25	
20000	Buildings	2000	Dwellings	2011	Residential, Personal and Garages, Carports and Parking		25	
20000	Buildings	2000	Dwellings	2012	Secure Care Centres		25	
20000	Buildings	2000	Dwellings	2013	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2014	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2015	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2016	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2017	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2018	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2019	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2020	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2021	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2022	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2023	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2024	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2025	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2026	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2027	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2028	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2029	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2030	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2031	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2032	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2033	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2034	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2035	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2036	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2037	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2038	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2039	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2040	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2041	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2042	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2043	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2044	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2045	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2046	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2047	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2048	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2049	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2050	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2051	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2052	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2053	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2054	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2055	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2056	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2057	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2058	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2059	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2060	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2061	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2062	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2063	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2064	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2065	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2066	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2067	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2068	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2069	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2070	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2071	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2072	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2073	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2074	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2075	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2076	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2077	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2078	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2079	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2080	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2081	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2082	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2083	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2084	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2085	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2086	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2087	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2088	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2089	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2090	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2091	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2092	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2093	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2094	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2095	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2096	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2097	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2098	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2099	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2100	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2101	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2102	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2103	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2104	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2105	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2106	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2107	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2108	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2109	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2110	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2111	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2112	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2113	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2114	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2115	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2116	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2117	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2118	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2119	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2120	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2121	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2122	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2123	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2124	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2125	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2126	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2127	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2128	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2129	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2130	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2131	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2132	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2133	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2134	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2135	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2136	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2137	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2138	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2139	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2140	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2141	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2142	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2143	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2144	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2145	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2146	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2147	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2148	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2149	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2150	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2151	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2152	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2153	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2154	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2155	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2156	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2157	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2158	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2159	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2160	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2161	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2162	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2163	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2164	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2165	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2166	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2167	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2168	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2169	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2170	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2171	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	2172	Residential Care for Children		25	
20000	Buildings	2000	Dwellings	217				

MAJOR CODE	MAJOR GROUP	MINOR CODE	MINOR GROUP	GROUP CODE	GROUP	EUL (YRS)	EUL (MONTHS)	CRITICALITY
20000	BUILDINGS	22000	NON RESIDENTIAL STRUCTURES	22001	TAXI RANKS	15	180	
20000	BUILDINGS	22000	NON RESIDENTIAL STRUCTURES	22004	UNIVERSITIES, COLLEGES, SCHOOLS	25	300	
20000	BUILDINGS	22000	NON RESIDENTIAL STRUCTURES	22005	WAREHOUSES/STORAGE FACILITIES INCLUDING DATA	25	300	
20000	BUILDINGS	22000	NON RESIDENTIAL STRUCTURES	22006	SPORT AND RECREATIONAL FACILITIES (TENNIS COURTS, SOCCER FIELDS, PARKS ETC.)	25	300	
20000	BUILDINGS	22000	NON RESIDENTIAL STRUCTURES	22007	NON RESIDENTIAL STRUCTURES PERIMETER PROTECTION & FENCING	10	120	
20000	BUILDINGS	22000	NON RESIDENTIAL STRUCTURES	22008	ABUCTION / PUBLIC FACILITIES	25	300	X
20000	BUILDINGS	22000	NON RESIDENTIAL STRUCTURES	22009	CAR PORTS	10	120	
20000	BUILDINGS	22000	NON RESIDENTIAL STRUCTURES	22030	WORKSHOPS / STORE ROOMS	25	300	
20000	BUILDINGS	22000	NON RESIDENTIAL STRUCTURES	22051	MARKETS / SHOPS	25	300	
20000	BUILDINGS	22000	NON RESIDENTIAL STRUCTURES	22052	STRUCTURES FOR AGRICULTURAL PURPOSES	25	300	
20000	BUILDINGS	22000	NON RESIDENTIAL STRUCTURES	22053	MURSERIES	25	300	
20000	BUILDINGS	22000	NON RESIDENTIAL STRUCTURES	22054	CAR PARKS	30	360	
20000	BUILDINGS	22000	NON RESIDENTIAL STRUCTURES	22055	CHEMICAL STORAGE ROOMS	30	360	X
20000	BUILDINGS	22000	NON RESIDENTIAL STRUCTURES	22056	COMPUTER SHELTERS	15	180	
20000	BUILDINGS	22000	NON RESIDENTIAL STRUCTURES	22057	GUARD STATIONS	30	360	
20000	BUILDINGS	22000	NON RESIDENTIAL STRUCTURES	22058	NON RESIDENTIAL STRUCTURES ACCESS AND INTERNAL ROADS GRAVEL	10	120	X
20000	BUILDINGS	22000	NON RESIDENTIAL STRUCTURES	22059	NON RESIDENTIAL STRUCTURES ACCESS AND INTERNAL ROADS PAVED	15	180	X
20000	BUILDINGS	22000	NON RESIDENTIAL STRUCTURES	22060	NON RESIDENTIAL STRUCTURES FITTED OUTDOOR FURNITURE AND STANDS	15	180	
20000	BUILDINGS	22000	NON RESIDENTIAL STRUCTURES	22061	NON RESIDENTIAL STRUCTURES FOOTPATHS PAVED	15	180	
20000	BUILDINGS	22000	NON RESIDENTIAL STRUCTURES	22062	NON RESIDENTIAL STRUCTURES IRRIGATION SYSTEMS	15	180	
20000	BUILDINGS	22000	NON RESIDENTIAL STRUCTURES	22063	NON RESIDENTIAL STRUCTURES LANDSCAPES	15	180	
20000	BUILDINGS	22000	NON RESIDENTIAL STRUCTURES	22064	NON RESIDENTIAL STRUCTURES OUTDOOR LIGHTS	15	180	
20000	BUILDINGS	22000	NON RESIDENTIAL STRUCTURES	22065	NON RESIDENTIAL STRUCTURES PARKING AREAS GRAVEL	10	120	
20000	BUILDINGS	22000	NON RESIDENTIAL STRUCTURES	22066	NON RESIDENTIAL STRUCTURES PAVED/SHADED PARKING STRUCTURES	15	180	
20000	BUILDINGS	22000	NON RESIDENTIAL STRUCTURES	22067	QUARRIES	25	300	
20000	BUILDINGS	22000	NON RESIDENTIAL STRUCTURES	22068	ANIMAL CARE CENTRES	25	300	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	31000	ELECTRICITY NETWORK	31001	COOLING TOWERS	25	300	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	31000	ELECTRICITY NETWORK	31003	METERS PREPAID	10	120	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	31000	ELECTRICITY NETWORK	31004	METERS CREDIT	25	300	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	31000	ELECTRICITY NETWORK	31005	POWER STATIONS COAL	60	600	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	31000	ELECTRICITY NETWORK	31006	POWER STATIONS GAS	55	600	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	31000	ELECTRICITY NETWORK	31007	POWER STATIONS HYDRO	55	600	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	31000	ELECTRICITY NETWORK	31008	POWER STATIONS NUCLEAR	60	720	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	31000	ELECTRICITY NETWORK	31009	LV OVERHEAD SERVICE CONNECTIONS	80	800	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	31000	ELECTRICITY NETWORK	31010	LV UNDERGROUND SERVICE CONNECTIONS	50	600	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	31000	ELECTRICITY NETWORK	31011	LV HOUSE CONNECTIONS DISTRIBUTION PILLAR BOXES	30	360	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	31000	ELECTRICITY NETWORK	31012	LV OVERHEAD LINES	80	800	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	31000	ELECTRICITY NETWORK	31013	LV UNDERGROUND CABLES	60	600	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	31000	ELECTRICITY NETWORK	31014	LV SUBSTATION SWITCHGEAR	30	360	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	31000	ELECTRICITY NETWORK	31015	HV SUBSTATION EQUIPMENT OUTDOOR	30	360	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	31000	ELECTRICITY NETWORK	31016	SUBSTATION EQUIPMENT GIS	30	360	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	31000	ELECTRICITY NETWORK	31017	SUBSTATION EQUIPMENT INDOOR	30	360	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	31000	ELECTRICITY NETWORK	31018	HV SWITCHGEAR STATION PANELS	25	300	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	31000	ELECTRICITY NETWORK	31019	TELEMETRY	7	84	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	31000	ELECTRICITY NETWORK	31020	ELECTRICITY PERIMETER PROTECTION	40	480	X

[illegible]

MAJOR G CODE	MAJOR GROUP	MINOR G CODE	MINOR GROUP	GROUP CODE	GROUP	PL (YRS)	EUL (MONTHS)	CRITICALITY
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	STORM WATER NETWORK	32204	STORM WATER DRAINS CONCRETE LINED	60	600	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	STORM WATER NETWORK	32205	STORM WATER STOP BANKS	40	400	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	STORM WATER NETWORK	32206	STORM WATER PIPES	50	600	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	STORM WATER NETWORK	32207	STORM WATER COASTAL CIRCUMFERENCE	20	240	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	STORM WATER NETWORK	32208	STORM WATER COASTAL PERS	60	720	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	STORM WATER NETWORK	32209	STORM WATER COASTAL GUTFALLS	60	720	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	STORM WATER NETWORK	32210	STORM WATER ATTENUATION PONDS	20	240	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	STORM WATER NETWORK	32211	STORM WATER OPEN CHANNELS LINED	60	600	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	STORM WATER NETWORK	32212	STORM WATER OPEN CHANNELS UNLINED	10	120	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	STORM WATER NETWORK	32213	STORM WATER PUMP STATIONS BUILDINGS	50	600	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	STORM WATER NETWORK	32214	STORM WATER PUMP STATIONS CIVIL WORKS	50	600	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	STORM WATER NETWORK	32215	STORM WATER PUMP STATIONS ELECTRICAL	15	180	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	STORM WATER NETWORK	32216	STORM WATER PUMP STATIONS MECHANICAL	15	180	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	STORM WATER NETWORK	32217	STORM WATER PUMP STATIONS PERIMETER PROTECTION AND FENCING	15	180	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	ROADS NETWORK	32301	ROADS MUNICIPAL ASPHALT SURFACE	40	480	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	ROADS NETWORK	32302	ROADS MUNICIPAL BASE STRUCTURE	60	600	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	ROADS NETWORK	32303	ROADS MUNICIPAL CONCRETE SURFACE	30	360	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	ROADS NETWORK	32304	ROADS MUNICIPAL GRAVEL SURFACE	10	120	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	ROADS NETWORK	32305	ROADS NATIONAL ASPHALT SURFACE	40	480	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	ROADS NETWORK	32306	ROADS NATIONAL ASPHALT BASE STRUCTURE	30	360	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	ROADS NETWORK	32307	ROADS NATIONAL CONCRETE SURFACE	30	360	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	ROADS NETWORK	32308	ROADS NATIONAL GRAVEL SURFACE	10	120	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	ROADS NETWORK	32309	ROADS PROVINCIAL ASPHALT SURFACE	40	480	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	ROADS NETWORK	32310	ROADS PROVINCIAL ASPHALT BASE STRUCTURE	30	360	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	ROADS NETWORK	32311	ROADS PROVINCIAL CONCRETE SURFACE	30	360	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	ROADS NETWORK	32312	ROADS PROVINCIAL GRAVEL SURFACE	10	120	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	ROADS NETWORK	32313	ROADS PAVED SURFACE	30	360	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	ROADS NETWORK	32314	ROADS KERBS AND CHANNELS	40	480	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	ROADS NETWORK	32315	ROADS CRASH BARRIERS	30	360	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	ROADS NETWORK	32316	ROADS RETAINING WALLS EARTH	15	180	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	ROADS NETWORK	32317	ROADS OVERLOAD CONTROL CENTRES	20	240	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	ROADS NETWORK	32318	ROADS OVERLOAD ELECTRONIC HARDWARE	15	180	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	ROADS NETWORK	32319	ROADS OVERLOAD EQUIPMENT OTHER	20	240	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	ROADS NETWORK	32320	ROADS PEDESTRIAN FOOTPATHS CONCRETE	50	600	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	ROADS NETWORK	32321	ROADS STREET LIGHTING	40	480	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	ROADS NETWORK	32322	ROADS SUBWAYS	50	600	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	ROADS NETWORK	32323	ROADS TRAFFIC ISLANDS	40	480	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	ROADS NETWORK	32324	ROADS TRAFFIC LIGHTS	15	180	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	ROADS NETWORK	32325	ROADS TRAFFIC LIGHTS COASTAL	10	120	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	ROADS NETWORK	32326	ROADS TRAFFIC SIGNS	5	60	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	ROADS NETWORK	32327	ROADS TOLL ROAD PLAZAS	20	240	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	ROADS NETWORK	32328	ROAD CALMING MEASURES	20	240	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	ROADS NETWORK	32329	ROAD PERIMETER PROTECTION	15	180	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	ROADS NETWORK	32330	ROAD RESERVES	0	0	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	ROADS NETWORK	32331	ROADS MAJOR CULVERTS	50	600	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	32000	ROADS NETWORK	32332	ROADS OVERHEAD CANTRIES	40	480	

[illegible]



MAJOR CODE	MAJOR GROUP	MINOR CODE	MINOR GROUP	GROUP CODE	GROUP	EAL (YRS)	EUL (MONTHS)	CRITICALITY
30000	OTHER STRUCTURES (INFRASTRUCTURE)	35000	SEWERAGE NETWORK	35103	SEWERAGE WASTE PIPES	2	24	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	35000	SEWERAGE NETWORK	35101	SEWERAGE PUMP STATIONS STRUCTURE	20	240	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	35000	SEWERAGE NETWORK	35102	SEWERAGE PUMP STATIONS ELECTRICAL	15	180	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	35000	SEWERAGE NETWORK	35203	SEWERAGE PUMP STATIONS MECHANICAL	15	180	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	35000	SEWERAGE NETWORK	35204	SEWERAGE PUMP STATIONS PERIMETER PROTECTION	10	120	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	35000	SEWERAGE NETWORK	35301	WASTE WATER PURIFICATION WORKS STRUCTURE	20	240	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	35000	SEWERAGE NETWORK	35302	WASTE WATER PURIFICATION WORKS ELECTRICAL	15	180	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	35000	SEWERAGE NETWORK	35303	WASTE WATER PURIFICATION WORKS MECHANICAL	15	180	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	35000	SEWERAGE NETWORK	35304	WASTE WATER PURIFICATION WORKS PERIMETER PROTECTION	10	120	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	35000	SEWERAGE NETWORK	35305	WASTE WATER PURIFICATION WORKS METERS	10	120	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	36000	SOLID WASTE DISPOSAL	36001	COLLECTION VEHICLES	10	120	X
30000	OTHER STRUCTURES (INFRASTRUCTURE)	36000	SOLID WASTE DISPOSAL	36002	COLLECTION CONTAINERS COMMUNITY BINS	20	240	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	36000	SOLID WASTE DISPOSAL	36101	TRANSFER STATIONS AND PROCESSING FACILITIES STRUCTURES	30	360	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	36000	SOLID WASTE DISPOSAL	36102	TRANSFER STATIONS AND PROCESSING FACILITIES ELECTRICAL	15	180	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	36000	SOLID WASTE DISPOSAL	36103	TRANSFER STATIONS AND PROCESSING FACILITIES MECHANICAL	15	180	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	36000	SOLID WASTE DISPOSAL	36104	TRANSFER STATIONS AND PROCESSING FACILITIES PERIMETER PROTECTION	10	120	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	36000	SOLID WASTE DISPOSAL	36105	LANDFILL SITE EARTHWORKS AND COMPACTION EQUIPMENT	10	120	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	36000	SOLID WASTE DISPOSAL	36202	LANDFILL SITE PREPARATION	0	0	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	36000	SOLID WASTE DISPOSAL	36203	LANDFILL SITE STRUCTURES	30	360	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	36000	SOLID WASTE DISPOSAL	36204	LANDFILL SITE VESICO-BRIDGE MECHANICAL	10	120	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	36000	SOLID WASTE DISPOSAL	36205	LANDFILL SITE VESICO-BRIDGE ELECTRICAL	15	180	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	36000	SOLID WASTE DISPOSAL	36306	LANDFILL SITE PERIMETER PROTECTION	10	120	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	36000	SOLID WASTE DISPOSAL	36307	COLLECTION CONTAINERS SKIPS	20	240	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	36000	SOLID WASTE DISPOSAL	36308	COLLECTION CONTAINERS WHEELIE BINS	10	120	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	37000	RAILWAYS	37001	RAILWAY POWER SUPPLY UNIT	20	240	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	37000	RAILWAYS	37002	RAILWAY SIGNALS	50	600	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	37000	RAILWAYS	37003	RAILWAY TRACKS	15	180	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	37000	RAILWAYS	37004	RAILWAY SIGNALING SYSTEM	15	180	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	37000	RAILWAYS	37005	RAILWAY SPLITTING YARDS	25	300	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	37000	RAILWAYS	37006	RAILWAY PERIMETER PROTECTION	10	120	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	38000	GAS SUPPLY SYSTEMS	38001	GAS SUPPLY SYSTEMS STRUCTURE	40	480	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	38000	GAS SUPPLY SYSTEMS	38002	GAS SUPPLY SYSTEMS ELECTRICAL	20	240	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	38000	GAS SUPPLY SYSTEMS	38003	GAS SUPPLY SYSTEMS MECHANICAL	20	240	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	38000	GAS SUPPLY SYSTEMS	38004	GAS SUPPLY SYSTEMS PERIMETER PROTECTION	10	120	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	38000	GAS SUPPLY SYSTEMS	38005	GAS SUPPLY SYSTEMS STATION TRUNK RECEIVING	40	480	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	38000	GAS SUPPLY SYSTEMS	38006	GAS SUPPLY SYSTEMS STATION DISTRICT REGULATING	40	480	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	38000	GAS SUPPLY SYSTEMS	38007	GAS SUPPLY SYSTEMS MAINS / PIPELINE	15	180	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	38000	GAS SUPPLY SYSTEMS	38008	GAS SUPPLY SYSTEMS METERS	15	180	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	38000	GAS SUPPLY SYSTEMS	38009	GAS SUPPLY SYSTEMS SUPPLY / RETICULATION	15	180	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	38000	GAS SUPPLY SYSTEMS	38010	GAS SUPPLY SYSTEMS STORAGE FACILITIES	15	180	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	39000	CEMETERIES	39001	CEMETERIES	25	300	
30000	OTHER STRUCTURES (INFRASTRUCTURE)	39000	CEMETERIES	39002	CEMETERIES PERIMETER PROTECTION	10	120	
40000	OTHER	41000	MACHINERY AND EQUIPMENT	41001	AUDIOVISUAL EQUIPMENT	5	60	
40000	OTHER	41000	MACHINERY AND EQUIPMENT	41002	BUILDING AIR CONDITIONING SYSTEMS	10	120	
40000	OTHER	41000	MACHINERY AND EQUIPMENT	41003	CELLULAR PHONES	0	0	
40000	OTHER	41000	MACHINERY AND EQUIPMENT	41004	CELLULAR ROUTERS	3	36	

[illegible]

MAJOR CODE	MAJOR GROUP	MAJOR CODE	MINOR GROUP	GROUP CODE	GROUP	RUL (YRS)	EST. (MONTHS)	CRITICALITY
40000	OTHER	42000	FURNITURE AND OFFICE EQUIPMENT	42000	OFFICE EQUIPMENT EXCLUDING FAX MACHINES	5	60	
40000	OTHER	42000	FURNITURE AND OFFICE EQUIPMENT	42007	OFFICE FURNITURE	5	60	
40000	OTHER	42000	FURNITURE AND OFFICE EQUIPMENT	42004	PARTINGS & SCULPTURED ORNAMENTS	5	60	
40000	OTHER	42000	FURNITURE AND OFFICE EQUIPMENT	42009	PICTURES & MOUNTINGS	5	60	
40000	OTHER	43000	COMPUTER EQUIPMENT	43001	COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	3	36	
40000	OTHER	43000	COMPUTER EQUIPMENT	43002	COMPUTER NETWORKS	5	60	
40000	OTHER	44000	TRANSPORT ASSETS	44001	AIRCRAFT	10	120	
40000	OTHER	44000	TRANSPORT ASSETS	44002	AIRCRAFT ENGINES	5	60	
40000	OTHER	44000	TRANSPORT ASSETS	44003	AIRPORT TRANSPORT & ASSOCIATED EQUIPMENT	10	120	
40000	OTHER	44000	TRANSPORT ASSETS	44004	BUSES	10	120	
40000	OTHER	44000	TRANSPORT ASSETS	44005	BICYCLES	4	48	
40000	OTHER	44000	TRANSPORT ASSETS	44008	EMERGENCY VEHICLES	5	60	X
40000	OTHER	44000	TRANSPORT ASSETS	44007	MOBILE CLINICS & LIBRARIES	10	120	
40000	OTHER	44000	TRANSPORT ASSETS	44000	MOTOR VEHICLES	5	60	
40000	OTHER	44000	TRANSPORT ASSETS	44009	RAILWAY ROLLING STOCK	10	120	
40000	OTHER	44000	TRANSPORT ASSETS	44010	SHIPS	15	180	
40000	OTHER	44000	TRANSPORT ASSETS	44011	SHIP ENGINES	5	60	
40000	OTHER	44000	TRANSPORT ASSETS	44012	TRAILERS AND VEHICLE ACCESSORIES	5	60	
40000	OTHER	44000	TRANSPORT ASSETS	44013	TRUCKS	5	60	
40000	OTHER	44000	TRANSPORT ASSETS	44014	BARKERS	5	60	
40000	OTHER	44000	TRANSPORT ASSETS	44015	MOTOR CYCLES	3	36	
40000	OTHER	44000	TRANSPORT ASSETS	44010	TIPPERS	5	60	
40000	OTHER	44000	TRANSPORT ASSETS	44017	WATERCRAFT	5	60	
40000	OTHER	44000	TRANSPORT ASSETS	44018	VEHICLE ACCESSORIES	5	60	X
50000	HERITAGE ASSETS	51000	HERITAGE ASSETS	51001	AREAS OF LAND OF HISTORIC OR SPECIAL SIGNIFICANCE	0	0	
50000	HERITAGE ASSETS	51000	HERITAGE ASSETS	51002	CULTURALLY SIGNIFICANT BUILDINGS	0	0	
50000	HERITAGE ASSETS	51000	HERITAGE ASSETS	51003	NATIONAL MONUMENTS	0	0	
50000	HERITAGE ASSETS	51000	HERITAGE ASSETS	51004	NATIONAL PARKS / RESERVES	0	0	
50000	HERITAGE ASSETS	51000	HERITAGE ASSETS	51005	PAINTINGS	0	0	
50000	HERITAGE ASSETS	51000	HERITAGE ASSETS	51006	SCULPTURES / STATUES	0	0	
50000	HERITAGE ASSETS	51000	HERITAGE ASSETS	51007	MUNICIPAL JEWELLERY	0	0	
50000	HERITAGE ASSETS	51000	HERITAGE ASSETS	51008	WORKS OF ART	0	0	
50000	HERITAGE ASSETS	51000	HERITAGE ASSETS	51009	OTHER ANTIQUES AND COLLECTIONS	0	0	
60000	BIOLOGICAL OR CULTIVATED ASSETS	61000	BIOLOGICAL OR CULTIVATED ASSETS	61001	DAIRY CATTLE	0	0	
60000	BIOLOGICAL OR CULTIVATED ASSETS	61000	BIOLOGICAL OR CULTIVATED ASSETS	61002	FEATHERED ANIMALS	0	0	
60000	BIOLOGICAL OR CULTIVATED ASSETS	61000	BIOLOGICAL OR CULTIVATED ASSETS	61003	FORESTS AND PLANTATIONS	20	240	
60000	BIOLOGICAL OR CULTIVATED ASSETS	61000	BIOLOGICAL OR CULTIVATED ASSETS	61004	FRUIT TREES	0	0	
60000	BIOLOGICAL OR CULTIVATED ASSETS	61000	BIOLOGICAL OR CULTIVATED ASSETS	61005	GAME	0	0	
60000	BIOLOGICAL OR CULTIVATED ASSETS	61000	BIOLOGICAL OR CULTIVATED ASSETS	61006	ANIMALS FOR REPRODUCTION	0	0	
60000	BIOLOGICAL OR CULTIVATED ASSETS	61000	BIOLOGICAL OR CULTIVATED ASSETS	61007	ANIMALS FOR WOOL OR MILK	0	0	
60000	BIOLOGICAL OR CULTIVATED ASSETS	61000	BIOLOGICAL OR CULTIVATED ASSETS	61008	DOGS LAW ENFORCEMENT AND SECURITY	0	0	
60000	BIOLOGICAL OR CULTIVATED ASSETS	61000	BIOLOGICAL OR CULTIVATED ASSETS	61009	HORSES LAW ENFORCEMENT AND WORKING	0	0	
60000	BIOLOGICAL OR CULTIVATED ASSETS	61000	BIOLOGICAL OR CULTIVATED ASSETS	61010	PLANTS FOR PRODUCTION OF SEEDS	0	0	
60000	BIOLOGICAL OR CULTIVATED ASSETS	61000	BIOLOGICAL OR CULTIVATED ASSETS	61011	VINES	0	0	
70000	INTANGIBLE ASSETS	71000	INTANGIBLE ASSETS	71001	CAPITALIZED DEVELOPMENT COST	5	60	
70000	INTANGIBLE ASSETS	71000	INTANGIBLE ASSETS	71002	COMPUTER SOFTWARE	2	24	
70000	INTANGIBLE ASSETS	71000	INTANGIBLE ASSETS	71003	MASTHEADS AND PUBLISHING TITLES	5	60	
70000	INTANGIBLE ASSETS	71000	INTANGIBLE ASSETS	71004	PATENTS, LICENSES, COPYRIGHTS, BRAND NAMES AND TRADEMARKS	5	60	

[illegible]